CC Fly Holding II A/S

Skindergade 7
DK-1159 Copenhagen K

Annual Report for 1 January - 31 December 2020

CVR No 39 40 22 46

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 19/3 2021

Jesper Schaltz
Chairman of the General Meeting

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of CC Fly Holding II A/S for the financial year 1 January - 31 December 2020.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2020.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 23 February 2021

Executive Board

Adam Nederby Falbert
CEO

Board of Directors

Claus Juel Jensen Chairman	Vilhelm Eigil Hahn-Petersen Deputy Chairman	Sophie Louise Knauer
Rasmus Philip Buhl Lokvig	Morten Nødgaard Albæk	Adam Nederby Falbert

Independent Auditor's Report

To the Shareholder of CC Fly Holding II A/S

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2020 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of CC Fly Holding II A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

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 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Group or the 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 about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influ-

ence 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 Company's and the Group's internal control.

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the 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 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.

Independent Auditor's Report

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Hellerup, 23 February 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jacob F Christiansen
State Authorised Public Accountant
mne18628

Kristian Højgaard Carlsen
State Authorised Public Accountant
mne44112

Company Information

The Company	CC Fly Holding II A/S Skindergade 7 DK-1159 Copenhagen K CVR No: 39 40 22 46 Financial period: 1 January - 31 December 2020 Incorporated: 12 March 2018 Financial year: 3rd financial year Municipality of reg. office: Copenhagen
Board of Directors	Claus Juel Jensen, Chairman Vilhelm Eigil Hahn-Petersen Sophie Louise Knauer Rasmus Philip Buhl Lokvig Morten Nødgaard Albæk Adam Nederby Falbert
Executive Board	Adam Nederby Falbert
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a three-year period, the development of the Group is described by the following financial highlights:

	Group		
	2020	2019	2018
	KDKK 12 months	KDKK 12 months	KDKK 8 months
Key figures			
Profit/loss			
Revenue	318,649	754,630	419,843
EBITDA	-32,514	101,577	49,681
Profit/loss before financial income and expenses	-147,551	19,817	-5,131
Net financials	-74,116	-61,400	-27,084
Net profit/loss for the year before tax	-217,131	-41,583	-32,215
Net profit/loss for the year	-187,154	-45,547	-31,416
Balance sheet			
Balance sheet total	1,231,219	1,284,846	1,015,020
Equity	277,350	316,708	361,850
Cash flows			
Cash flows from:			
- operating activities	-180,963	72,846	43,259
- investing activities	-67,404	-292,183	-734,080
- financing activities	209,538	251,512	707,456
Number of employees	659	708	603
Ratios			
Gross margin	62.1%	42.7%	41.7%
Profit margin	-46.3%	2.6%	-1.2%
Return on assets	-12.0%	1.5%	-0.5%
Solvency ratio	22.5%	24.6%	35.6%
Return on equity	-63.0%	-13.4%	-17.4%

The comparative figures for 2018 are not comparable due to a shortened financial year of 8 months in comparabel financial years.

Management's Review

Key activities and highlights

Primary activities

REKOM's activities consist of owning and operating bars and nightclubs. As the largest nightlife group in the Nordics - with more than 130 bars and nightclubs across Denmark, Norway and Finland – we aim to set an industry-leading standard for how to do business in a professional, responsible and trustworthy manner. Our headquarter is located in Copenhagen, and we have five other administrative offices across the Nordics. In total, we employ more than 3.500 dedicated and committed employees, out of which approximately 2.300 are part of our operations in Denmark.

Development in activities and finances

The financial year 2020 has been heavily impacted by the COVID-19 pandemic. Due to health and safety restrictions, enforced by the authorities, to limit the spread of the virus, the majority of our venues have been closed down since March 2020.

This has – as would be expected – had a negative impact on REKOM's revenue, which fell to DKK 318,6 million compared to DKK 754,6 million in 2019.

As a result, REKOM has realized a loss before taxes on DKK 163,4 million compared to a profit of DKK 28,9 million in 2019. This is an unsatisfactory result, however, due to the negative impact of the pandemic the result was fully expected by management.

When the pandemic hit our markets, management reacted instantly in support of government recommendations in Denmark, Norway and Finland and closed all venues in March and April 2020. This was followed by a government ban and/or restrictions on bar and nightclub activities in Denmark, Norway, and Finland, which has had a negative impact on REKOM's revenue, earnings, cash-flow, and liquidity.

To secure and bolster the liquidity position during the pandemic the shareholders carried out an immediate capital injection of DKK 140 million in March 2020. In addition, REKOM entered an agreement with our banks to increase credit facilities.

To protect the liquidity and secure the financial position of the company, REKOM has implemented cost reductions by streamlining operations, terminating agreements with certain consultants and suppliers, as well as reducing the number of employees. In addition, REKOM has applied for all relevant government compensation packages made available during the pandemic. The compensation received from government packages can be divided into two main categories: Salary compensation and compensation of certain fixed costs suppliers (mainly rent).

The salary compensation scheme is used exclusively to pay wages to our dedicated employees at venues that are shut down due to government restrictions. However, the compensation does not cover the full salary cost. This means that salary costs still affect our result negatively.

Management's Review

However, REKOM has chosen to accept this cost in an effort to avoid letting more employees off than necessary.

As COVID-19 restrictions are prolonged REKOM continues to explore ways of reducing running costs for instance through ongoing negotiations with landlords.

To further mitigate the continuing negative impact on REKOM's revenue and liquidity, management has secured a new credit facility of DKK 250 million with our banks and will receive an additional DKK 30 million from our shareholders, thus increasing the total shareholder contribution to DKK 170 million following the outbreak of the COVID-19 pandemic. This in combination with the above-mentioned initiatives means that REKOM has a strong liquidity position going forward and are well positioned when restrictions to our operations are lifted.

For further review, see note 1 regarding the going concern premise and note 2 regarding subsequent events.

Prior to the outbreak of the COVID-19 pandemic, management expected continued growth in 2020 based on strong underlying performance and customer demand. The first two months of 2020 fulfilled these expectations showing all time high financial numbers with revenue growth of 37% and a growth in EBITDA of 80% compared to 2019. Thus, REKOM entered the COVID-19 pandemic on the back of solid financial performance.

Once restrictions were temporarily loosened during the summer months of 2020 it was evident that customer demand was intact. This was especially true in Finland where REKOM realized a growth above index 100 compared to 2019, even with limited restrictions in place.

In turn, management is convinced that the demand for REKOM's services remain intact and that REKOM will resume its growth potential as government restrictions are lifted.

Highlights in strategic projects

Our development projects was also affected by COVID-19. Nevertheless, we used the time efficiently within the available resources and experienced progress and reached important milestones on all strategic projects in 2020.

It is management's assessment that REKOM is in a stronger strategic position than ever and is ready to continue its strategic growth journey.

The Platform

In 2020, REKOM finalized the roll out and implementation of the ERP system in Denmark, Norway and Finland. This means that in 2021 several critical business processes will be more digitalised and scalable across markets.

Management's Review

By the end of 2021, REKOM expects to have the new BI system implemented in all markets. Combined the scalability of the BI- and ERP systems will increase efficiency and deliver synergies across venues and markets as well as facilitate future growth.

Rekom Digital

In 2019, we launched the community app NightPay, bringing digitalisation to REKOM's core business area, which is otherwise inherently non-digital. NightPay pushes the boundaries of what people expect from a night out. With NightPay REKOM is creating a digital consumer universe which, in addition to digital payment, gives our guests the possibility to stay informed on events, offers and other services available to them. During 2020, REKOM has added new features to the app, and REKOM will continue to develop the app in 2021.

NightPay has been a resounding success with more than 31.000 active users at year-end. More impressively, REKOM has experienced high user retention during a year where most of the venues have been closed. The app has even witnessed a net increase in users. And REKOM have only just begun to realise its full potential in building a loyal customer base.

It is management's expectation that REKOM will see a high growth in NightPay users across market as restrictions are lifted.

In addition to NightPay, REKOM has also launched a corona-track and trace app, which has been made available to guests in Norway. The app is ready to be launched in other markets if needed.

People & Culture

In REKOM, our fuel is our people. They are our most important asset, and together they shape the culture that underpins our development and growth as a company.

REKOM experienced a setback in 2020 due to the pandemic, but nevertheless continued the development of the campus-education-project which will lay the foundation for the most ambitious education set-up in the nightlife industry.

In 2021 REKOM will continue to build on this momentum through the launch of two extensive education tracks:

A Frontline trainee education (FLT) that will educate venue employees in the many aspects of running a bar: From product know-how and financial management to conflict handling and service excellence.

Adding to this initiative REKOM will introduce a venue management trainee education (VMT). In the VMT track REKOM will train all leaders on staff management and meaningful leadership.

Management's Review

Both educational tracks are designed to upgrade our employees' competencies and will, upon completion, result in skills above industry average and a salary increase. The target is that all full-time employees will have a human potential development plan before year-end. These initiatives represent a resource-intensive and financial commitment towards making REKOM the most meaningful organization in the world within the nightlife industry.

Outlook

Considering current government restrictions to our business operation due to COVID-19, and the uncertainty with regards to the lifting of restrictions, management expects limited growth in 2021.

Growth will depend on reopening scenarios as well as government restrictions imposed.

However, it is management's clear expectation that as restrictions are lifted, REKOM will resume its growth trajectory in both revenue and EBITDA. This expectation is based on the solid financial performance demonstrated pre-COVID-19 lock-down as well as the strong rebound during the summer months once restrictions were temporarily loosened.

During 2020, REKOM acquired 12 venues in Denmark, Norway and Finland and is now exceeding 130 venues in total. All venues are still waiting to show their potential.

In addition, REKOM continue to have a strong pipeline for the future in place - consisting of both organic growth, venue openings, as well as add-on target opportunities. Hence, REKOM expects to follow the existing strategy of further consolidating the nightlife industry when operations return to normal.

In December 2020, key shareholders in REKOM created REKOM UK. This was done in a separate structure 100 percent financially separated from the REKOM Group. In December 2020, REKOM UK, bought 42 bars out of administration from the UK's largest nightlife group, Deltic Group. This move gave REKUM UK a strong foothold in the attractive UK market.

The shareholders overall objective is to merge REKOM Group with REKOM UK as soon as both groups are back to normal and profitable operations.

Taking that into consideration - and due to the fact that REKOM is in a strong financial position compared to many of our competitors in the market - REKOM maintains its ambition to become the leading nightlife group in Europe.

Management's Review

Risks

Management expects limited growth in 2021, as the year will be affected by COVID-19. Growth will depend on reopening scenarios as well as government restrictions imposed. Thus, there will be a focus on getting existing venues back on track after COVID-19. However, and as described above, management continues to see an opportunity to gain market shares as REKOM is in a strong financial position compared to many of our competitors.

Market conditions

Management expects limited growth in 2021, as the year will be affected by COVID-19. Growth will depend on reopening scenarios as well as government restrictions imposed. Thus, there will be a focus on getting existing venues back on track after COVID-19. However, and as described above, management continues to see an opportunity to gain market shares as REKOM is in a strong financial position compared to many of our competitors.

Currency exposure

REKOM operates in three markets, Denmark, Norway and Finland and therefore exposed to a natural currency risk, mainly in NOK. However, as REKOM has taken up loans in both DKK and NOK, the risk on our cash flow and assets in Norway is limited. In turn it has been decided not to use hedge instruments to our exposure of DKK vs. NOK.

Political exposure

Political risks relate to decisions that directly or indirectly may change the preconditions for REKOMs business activities. In order to respond as quickly as possible to political initiatives and changes that may affect our business, we closely monitor the political landscape.

IT risks

The safety aspects of REKOMs IT solutions, including the infrastructural part, is monitored and evaluated in collaboration with external consultants. To ensure the right level of resources and competencies, a part of our IT tasks and processes are also outsourced to external partners. Uniform systems, standards and controls is the target, so that the risk of errors and omissions are minimized.

Management's Review

Statement of corporate social responsibility (CSR)

Business model

REKOM operates in the nightlife and retail industry, which is a highly fragmented industry with many independent market players. As the biggest player in the Nordic market with more than 3500 employees, REKOM has a clear mission to be part of shaping the industry and raising standards.

Our key contribution is to provide unique social experiences and the right atmosphere for our more than 10 million annual guests. We leverage our more than 20 years of industry experience and actively seek to expand our geographical footprint using a multi-brand strategy that is based on a standard operating model - creating value to guests, employees, owners and partners.

Risks analysis and due diligence

2020 has been a year with very limited activities where only January and February represented business as usual. For the remaining 10 months of the year, our business has been shut down in both Denmark, Norway and Finland due to COVID19; although, for Norway and Finland more activity has taken place than in Denmark.

Since 2018, REKOM has been part of REGA (Restaurateurs' Guarantee Association) in Denmark – an industry-wide initiative with the ambition to progress the whole industry's CSR work. By joining REGA, REKOM seeks to inspire employees and peers in the industry to integrate a sustainable and responsible way of doing business.

REKOM became a signatory to the UN Global Compact in 2018, which is an important step in further aligning our operations with international CSR standards on human rights, labour rights, climate and environment, and anti-corruption.

Through REGA, REKOM has committed to continuously conduct social, environmental and economic due diligence in alignment with the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines on Multinational Enterprises. The UNGPs cover human rights, including social conditions and employee relations, and through the OECD Guidelines, it also covers environmental and economic sustainability.

This provides a stringent management system that was implemented in 2019 ensuring that REKOM identifies and manages potential and actual risks and adverse impacts stemming from our business.

The risk and impact assessment conducted in 2019 shows that we face both some potential industry specific risks and some business specific risks of adverse impacts. Here we intend to show extra due diligence by either reinforcing existing actions or implementing new actions, and by setting up indicators to measure effectiveness of our response. In 2020 REKOM asked REGA to perform an updated impact assessment, but due to the current pandemic of COVID19, the assessment has had to be postponed for 12 months leading to that no assessment will be completed in 2020; however, the activities in that period have also been very limited.

Management's Review

The industry specific risks include the fact that consuming alcohol while going out leads to adverse impacts on the right to health. We manage this risk by promoting responsible drinking. Discrimination, harassment and impacts on personal integrity will occur at our venues, which is why we promote respectful interactions and safe environments. Another is that our neighbours can experience noise from our venues and guests, and thus we diligently address these impacts, for example by being part of the committee for less noise and trash in the streets established by the City of Copenhagen and by joining the initiative 'Night Guides', working collaboratively to limit nuisances from nightlife activities. With the shutdown of the nightlife industry for now close to a year, the issues of noise and waste are still very relevant and may even be expected to escalate once society is opened again and when our guests are finally able to go out again.

Social conditions and employee relations

Policy

Ensuring the well-being, safety and security of our employees and guests is the greatest responsibility the Group has. Solid procedures and continuous focus by Management, employees and security personnel reinforce that these areas are always top priority.

We are committed to ensuring industry-leading workplace conditions and to promoting a culture of recogni¬tion and professional development. Most of REKOM's employees are young people working part-time and we are committed to provide decent, responsible and flexible working conditions for all, just as good employment terms strengthen retention and general employee well¬-being. We always comply with applicable laws, regulations and treaties.

The relevant policies are included in: REKOM's Employee Handbook and CSR Handbook.

Efforts and results

In 2019, REKOM launched a new organisation-wide meaningfulness survey covering deep-dives and pulse surveys that measure the level of meaningfulness employees experience in their work. Survey results will be available during 2020 and will support us in promoting a more meaningful workplace for our employees and in tackling potential workplace challenges that can come up.

Early in 2020 we got the results of REKOM's Meaningfulness Questionnaire (MQ). The MQ's focus on purpose, leadership, belonging and personal growth gave REKOM an overall score of 4.0 on a scale from 1-5. More than 1600 of our employees participated, which we are quite proud of, especially since belonging was the highest scoring driver focusing on REKOM's value of love for people. Personal Growth was the lowest scoring driver at 3.9; however, in later years we have focused on creating various education and seminars for our employees as well as team leaders. As soon as society opens up, we will re-engage in promoting these drivers and values, and we expect to see the results hereof in future MQ's.

All the way through 2020 we have been ready to initiate training that contributes to high employee motivation and retention. Through REKOM Academy, we provide job introductions to new colleagues, on-the-job coaching as well as regular internal training in service excellence, sales and various job-specific skills. Unfortunately, COVID19 has put a stop to all these activities, and we will need to await

that it once again becomes permittable to group more than 5 people at a time. Training and motivation of our staff continue to being an important part of our business model.

The Board of Directors assesses risks continuously over the year by having a close dialogue with management. Meetings are held regularly to ensure we are on track. The Board has in cooperation with management established a reporting process which includes yearly budgets, quarterly outlook updates and monthly internal reporting and weekly light-reports.

In 2020, Rekom will continue to focus on attracting and hiring employees of both genders and on an equal basis. Rekom also aims to increase awareness about career opportunities across the company and to encourage talented female candidates to pursue their career goals in the Group.

Anticorruption and bribery

Policy

By conducting business in a responsible way, we limit our risks of corruption and bribery and build trust with our stakeholders. REKOM has a zero-tolerance policy towards any kind of bribery or corruption and any use of black money and moonlighting.

The relevant policies are included in: REKOM's CSR Handbook.

Efforts and results

To minimize corruption and bribery risks, REKOM has in place a range of compliance and control measures including; digital payment solutions, systematic financial tracking, venue surveillance and cash register checks all that have a preventive effect and provide oversight.

For 2020, REKOM has been working to develop explicit guidelines and a gift log to improve transparency and predictability concerning acceptance of gifts. The guidelines have been delayed due to the shutdown but are expected to be completed in 2021.

REKOM's internal whistle blower hotline provides employees with the opportunity to confidentially report serious concerns to management. In 2020, there has not been any reports regarding corruption, expectedly because of the lockdown due to COVID-19.

Human rights

Policy

The Group recognizes the human rights risks associated with the nightlife industry and the importance of promoting and upholding international human rights in all our operations and in our value chain.

Management's Review

The relevant policies are included in: REKOM's CSR Handbook and UN Global Compact Communication on Progress report.

Conducting business in a responsible way also means that we raise expectations with the suppliers, we work with. REKOM's key supplier categories are beverage companies, DJs, security personnel and cleaning providers. Our supplier contracts formalize our expectations towards responsible supplier behaviour, including to never engage in any form of illegal activity.

The relevant policies are included in: Supplier contracts, REKOM's Employee Handbook and CSR Handbook.

Efforts and results

REKOM has systematically implemented the UNGPs and the OECD Guidelines on Multinational Enterprises, which – as described under the Risk analysis and due diligence section – requires that REKOM continuously assesses potential and actual adverse impacts on human rights caused by our operations or business relationships.

REKOM seeks to prevent or mitigate adverse impacts that may be directly linked to us by our business relationships by raising the expectation that they commit and act to avoid causing or contributing to adverse impacts on human rights, the environment and anti-corruption and that they address such adverse impacts, when they arise. Should un-attended adverse impacts occur in our value chain, we use our leverage to make the business relationship in question cease the impacts.

In 2020 there has been reports concerning leadership received through our whistle blower system. All four reports were treated seriously by our Head of People and Culture as well as the country manager for each case individually. Handling the four incidents provide great value on how to improve internal management and will be mirrored in the next MQ assessment in 2021.

REKOM has set written requirements for suppliers that their employees have pay and working conditions, there are Danish rules. In addition, we sharpen the supplier's responsibility for reporting wages and withholding of A-tax, etc., and we reserve the right to view documentation.

During the shut down in 2020 there has been a single incident of employment of a student worker without the proper work permissions. The matter has been corrected and had no effect on the individual's contract, wage or tax payments, which all had been in order from the beginning.

Environment and Climate

Policy

REKOM does not have any formal environmental policy in place, however, in 2020, REKOM conducted an environmental and climate impact assessment of the Group's business operations to ensure a better understanding of challenges and opportunities in this domain. The assessment will play into the development of an environmental policy for the Group including positions on how to avoid plastics and how to set requirements for suppliers, but due to COVID19, implementation has not yet begun, but will be amended once society is re-opened.

Management's Review

Effort and results

Through REKOM's IT supplier, the service life of our old IT equipment is prolonged by repairing or reconditioning the equipment. The IT equipment is cleansed for all remaining REKOM data, before it is assessed as either suitable for reuse or for recycling as electronic waste. The residual equipment value is paid out to REKOM, and we donate the full amount to the World Wildlife Foundation (WFF) and their work to fight climate change.

In continuation of what was begun in 2020, REKOM will replace one-time plastic straws with more sustainable alternatives in line with the new EU regulation that bans single-use plastics from 2021.

The three-year REGA project 'Sustainable Development Goals in the Value Chain' will continue in 2021. The project addresses four environmental challenges in the value chain. Together with 16 other organizations, REKOM will be part of the track on Circular Restoration, working to identify collaborative solutions with suppliers to address systemic challenges to reducing, reusing and recycling resources and ensuring more circular models at our venues.

Report on the Gender Composition in Management

REKOM recognizes the importance of attracting, developing and retaining the right talents to the company, irrespective of gender, sexual orientation, nationality or race.

We believe that management and employee diversity allow for more flexible thinking, better working environments and that is prevents inveterate conceptions and habits. By building teams with a variety of experience, education, background, age and gender, REKOM brings all our employees' unique contributions into play for the benefit of the business.

Board of Directors

Following CataCaps acquisition of REKOM in May 2018, a new Board of Directors was established. The Board comprises two mandatory representatives from CataCap, the CEO of REKOM, and three appointed board members. Out of the three appointed board members one is a woman. REKOM's target for 2023 is to have one woman in the board. Should the current board composition or mix of board profiles be up for revision, we will revisit the target. As of 31 December 2020, the overall board composition is 16% women (1/6), thus reaching our target. Target is set so women on the board must constitute 20% in 2023.

Other management levels

For REKOM's other management levels, we seek to increase both the number and the proportion of women at each level. In 2020, we had approx. 30% female middle managers, which include both venue and office managers. REKOM is constantly working to improve and secure the right conditions for all employees to leverage their unique competencies and achieve management responsibility, should they be interested and qualified. Due to the COVID-19 lockdown no hiring or promotions have taken place in the past 12 months, and consequently, no activities to increase gender diversity in other management levels have taken place.

Management’s Review

In 2021, REKOM will continue to focus on attracting and hiring employees of both genders and on an equal basis. REKOM also aims to increase awareness about career opportunities across the company and to encourage talented female candidates to pursue their career goals in the future.

Management structure

Our principles for good corporate are based on our rules of procedures and our management structure, consisting of Board of Directors and our Management team.The board of directors meets according to a set schedule at least 4 times a year. In addition, monthly chairmanship meetings are held. And annual strategy meeting is also held to determine Rekoms vision, goals and strategy.

Governance

In order to provide transparency REKOM now follows the industry association DVCA's (Danish Venture Capital and Private Equity Association) guidelines for responsible ownership and good corporate governance. On this foundation, the Board of Directors and the Executive Management team have established internal procedures to ensure active, secure and value-creating management. Likewise, the Board of Directors and the Executive Board continuously monitor the Company's management structure and control systems to ensure that they are reliable and effective. At board level, the fixed procedures include monthly reporting on all relevant economic and non-financial parameters, including risk assessment of investments in venues and markets.

Rekoms top management consist of:

Board of Directors

Claus Juel-Jensen	OTHER MANAGMENT DUTIES
CHAIRMAN	***Chairman***
Born 1963 Member since 2018 Affiliation: Independen	Rekom Group A/S, CC Fly Holding I ApS, CC Fly Holding II A/S, CC Mist New Holding ApS, CC Mist New Holding II ApS, Tenax Sild A/S, Jens Møller Products ApS, Wolly & Co. A/S, Wolly & Co. Holding A/S, Vetgruppen A/S, Vetgruppen Holding A/S.
	Board Member
	Globus Wine A/S, Geia Food A/S, Europris ASA, Skare Food A/S, Skare Meat Packers K/S, PISSIFFIK A/S.
	Executive Management
	CJPI ApS.

Vilhelm Hahn-Petersen	OTHER MANAGMENT DUTIES
DEPUTY CHAIRMAN	***Chairman***
Born 1960 Member since 2018 Affiliation: Non-Independent Partner, CataCap	CC Lingo Invest ApS, CC Green Wall Invest ApS, LuxPlus ApS, LuxPlus Cee A/S, LuxPlus We ApS, EchoEcho ApS, CC Toaster Holding I ApS, CC Toaster Holding II ApS.
	Deputy Chairman of the Board
	Rekom Group A/S, CC Fly Holding I ApS, CC Fly Holding II A/S, CC Oscar Holding I A/S, CASA A/S, CC Mist New Holding ApS, CC Mist New Holding II ApS, Aerfin Holdings Limited, Aerfin Limited, Atlantico HoldCo Limited, Atlantic OfferCo Limited.
	Board Member
	CataCap Management A/S, CataCap General Partner II ApS, Lyngsoe Systems Holding A/S, Lyngsoe Systems A/S, CC Explorer Invest ApS, CC Tool Invest ApS, G.S.V. Holding A/S, G.S.V. Materieludlejning A/S, CC Oscar Invest ApS, TPA Holding I A/S, TPA Holding II A/S, TP Aerospace Holding A/S, Airhelp Limited.
	Executive Management
	Myco ApS, CataCap DM ApS, CataCap DM II ApS, CC II Management Invest 2017 GP ApS, CataCap Generel Partner I ApS, Catacap OP ApS, Casa ManCo ApS, LW ManCo ApS, CC Fly Invest ApS, Rekom ManCo ApS, TPA Green ManCo ApS, CC Track Invest ApS, CC Globe Invest ApS. CC STIM UK Topco Ltd, CC STIM UK Holdco Ltd, CC STIM UK PROPCO Ltd, CC STIM UK TRADECO 1 Ltd, CC STIM UK TRADECO 2 Ltd, CC STIM UK TRADECO 3 Ltd, CC STIM UK TRADECO 4 Ltd.

Rasmus Lokvig

MEMBER

Born 1978
Member since 2018
Affiliation: Non-independent

Partner, CataCap

OTHER MANAGEMENT DUTIES

Deputy Chairman of the Board

Lyngsoe Systems A/S, Lyngsoe Systems Holding A/S, DANAWEB A/S, DANAWEB INTERNATIONAL A/S, Languagewire Holding A/S, Languagewire A/S, CC Globe Holding I ApS, CC Globe Holding II A/S, Group Online A/S, Plico A/S.

Board Member

Rekom Group A/S, CC Fly Holding I ApS, CC Fly Holding II A/S, CataCap Generel Partner II ApS, CC Sky Invest ApS, CC Mist New Holding ApS, CC Mist New Holding II ApS.

Executive Management

MNGT4 RL ApS, CataCap Management A/S (incl. BM), CC II Management Invest 2017 GP ApS, CataCap Generel Partner I ApS, LW ManCo ApS, CC Globe Invest ApS, Globe ManCo ApS, CC Fly Invest ApS, Rekom ManCo ApS, CC Toaster Invest ApS.

Morten Albæk

MEMBER

Born 1975
Member since 2018

Affiliation: Independent
Creator - Voluntas Group A/S

OTHER MANAGEMENT DUTIES

Chairman

Vertic A/S, Designskolen Kolding.

Board Member

Rekom Group A/S,CC Fly Holding I ApS, CC Fly Holding II A/S, Joe & The Juice A/S, AART Architechts A/S, Mercurius International.

Other Advisory roles

Member of SGL TransGroup's Advisory Council.

Executive Management

A Mean Company ApS, Voluntas Group A/S, Sea Albaek Future ApS.

Adam Nederby Falbert	**OTHER MANAGEMENT DUTIES**
MEMBER	***Chairman***
Born 1976 Member since 2009	MEYN Invest A/S, NightPay ApS, Hornsleth Bar ApS.
	Board Member
Affiliation: Non-independent	Hyldegårdsvej 40 A/S, TGP S272 P/S, TGP S272 Holding P/S,
CEO/Founder - REKOM Group A/S	Power Hall A/S, Nielsen & Co. ApS, Rekom R&D ApS, Moker Ejendomme ApS, Brøggeriet ApS, Ejendommen Sølvgade 96 A/S, ANF/Jano Lersø Parkallé 107 ApS, Havnens Bygningsudlejning A/S, K/S Strandvejen 195-199, Ejendomsselsskabet Jano ApS, CC Mist NEW Holding ApS, CC Mist NEW Holding II ApS.
	Executive Management
	Rekom Group A/S (CEO and BM - 6 BM posts and 61 Executive Management positions in affiliated companies), CC Fly Holding I ApS, CC Fly Holding II A/S, MOKER Ejendomme ApS, MOKER Venture ApS, MOKER Venture Finans ApS, Moker Skindergade ApS, Komplementarselskabet Strandvejen 195-199, DAJ Ejendomsselskab ApS, Kultorvet 13-15 Invest ApS, REKOM CIV Komplementar ApS, ANF Enterprises ApS, Q19 Ejendomme ApS, Havnens Bygningsudlejning A/S, Hyldegårdsvej 40 A/S, Sølvgade Holding ApS, ANF/JANO Lersø Parkallé 107 ApS, Allegade 4 ApS, Ejendommen Sølvgade 96 A/S, Moker Venture & Geppel Invest ApS, Overgade 21A ApS.

Sophie Louise Knauer	**OTHER MANAGEMENT DUTIES**
MEMBER	***Board Member***
Born 1983 Member since 2019 Affiliation: Independent	Solar A/S, Rekom Group A/S, CC Fly Holding I ApS, CC Fly Holding II A/S, CC Mist NEW Holding ApS, CC Mist NEW Holding II ApS, CC Globe Holding I ApS, CC Globe Holding II A/S, SKAKO A/S, SKAKO CONCRETE A/S, SKAKO VIBRATION A/S.
	Executive Management
	Lady Invest ApS.

Income Statement 1 January - 31 December 2020

	Note	Group		Parent	
		2020	2019	2020	2019
		KDKK	KDKK	KDKK	KDKK
Revenue	4	**318,649**	**754,630**	**0**	**0**
Other operating income		185,252	0	0	0
Expenses for raw materials and consumables		-73,782	-158,354	0	0
Other external expenses		-232,333	-273,875	-221	-78
Gross profit/loss		**197,786**	**322,401**	**-221**	**-78**
Staff expenses	5	-230,361	-220,824	0	0
Result before depreciation (EBITDA)		**-32,575**	**101,577**	**-221**	**-78**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	6	-114,976	-81,760	0	0
Profit/loss before financial income and expenses	3	**-147,551**	**19,817**	**-221**	**-78**
Income from investments in subsidiaries		0	0	-164,576	-12,622
Financial income	7	8,793	1,624	18,659	10,218
Financial expenses	8	-82,909	-63,024	-42,403	-48,923
Profit/loss before tax		**-221,667**	**-41,583**	**-188,541**	**-51,405**
Tax on profit/loss for the year	9	34,513	-3,964	2,059	4,104
Net profit/loss for the year		**-187,154**	**-45,547**	**-186,482**	**-47,301**

Balance Sheet 31 December 2020

Assets

	Note	Group 2020 KDKK	Group 2019 KDKK	Parent 2020 KDKK	Parent 2019 KDKK
Completed development projects		12,567	12,442	0	0
Acquired patents		368	409	0	0
Acquired brand		40,799	43,602	0	0
Acquired key money		138,486	142,524	0	0
Goodwill		606,935	641,721	0	0
Development projects in progress		0	6,820	0	0
Intangible assets	10	**799,155**	**847,518**	**0**	**0**
Land and buildings		1,539	1,575	0	0
Other fixtures, fittings and equipment		44,335	54,635	0	0
Leasehold improvements		206,537	197,971	0	0
Property and equipment in progress		5,940	2,448	0	0
Property, plant and equipment	11	**258,351**	**256,629**	**0**	**0**
Investments in subsidiaries	12	0	0	645,771	662,427
Receivables from group enterprises	13	0	0	59,001	74,644
Deposits	13	16,191	18,618	0	0
Fixed asset investments		**16,191**	**18,618**	**704,772**	**737,071**
Fixed assets		**1,073,697**	**1,122,765**	**704,772**	**737,071**
Inventories		**16,679**	**28,379**	**0**	**0**
Trade receivables		9,585	35,710	0	0
Receivables from group enterprises		3,162	0	3,162	3,238
Other receivables	14	62,524	19,694	0	0
Deferred tax asset	18	7,392	0	4,591	0
Corporation tax receivable		698	2,966	698	7,409
Prepayments	15	9,912	4,098	0	0
Receivables		**93,273**	**62,468**	**8,451**	**10,647**
Cash at bank and in hand		**47,570**	**71,234**	**23**	**12**
Currents assets		**157,522**	**162,081**	**8,474**	**10,659**
Assets		**1,231,219**	**1,284,846**	**713,246**	**747,730**

Balance Sheet 31 December 2020

Liabilities and equity

	Note	Group 2020 KDKK	Group 2019 KDKK	Parent 2020 KDKK	Parent 2019 KDKK
Share capital	16	600	600	600	600
Reserve for development costs		9,802	15,024	0	0
Retained earnings		265,175	297,609	274,977	312,633
Equity attributable to shareholders of the Parent Company		**275,577**	**313,233**	**275,577**	**313,233**
Minority interests		1,773	3,475	0	0
Equity		**277,350**	**316,708**	**275,577**	**313,233**
Provision for deferred tax	18	6,656	35,576	0	0
Provisions		**6,656**	**35,576**	**0**	**0**
Mortgage loans		572	574	0	0
Credit institutions		738,953	658,960	402,122	375,019
Other payables		9,327	12,849	0	0
Long-term debt	19	**748,852**	**672,383**	**402,122**	**375,019**
Mortgage loans	19	61	57	0	0
Credit institutions	19	37,589	22,120	0	0
Trade payables		28,988	63,926	0	0
Payables to group enterprises		38,988	49,387	35,357	49,387
Corporation tax		1,628	3,594	0	0
Other payables	19	91,107	121,095	190	10,091
Short-term debt		**198,361**	**260,179**	**35,547**	**59,478**
Debt		**947,213**	**932,562**	**437,669**	**434,497**
Liabilities and equity		**1,231,219**	**1,284,846**	**713,246**	**747,730**

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Balance Sheet 31 December 2020

Liabilities and equity

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Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Retained earnings	Equity excl. minority interests	Minority interests	Total
	KDKK	KDKK	KDKK	KDKK	KDKK	KDKK	KDKK
Equity at 1 January 2020	600	0	15,024	297,609	313,233	3,475	316,708
Exchange adjustments	0	0	0	8,826	8,826	-325	8,501
Ordinary dividend paid	0	0	0	0	0	-705	-705
Contribution from group	0	0	0	140,000	140,000	0	140,000
Development costs for the year	0	0	4,688	-4,688	0	0	0
Depreciation, amortisation and impairment for the year	0	0	-9,910	9,910	0	0	0
Net profit/loss for the year	0	0	0	-186,482	-186,482	-672	-187,154
Equity at 31 December 2020	**600**	**0**	**9,802**	**265,175**	**275,577**	**1,773**	**277,350**

Group

Equity 1. januar 2019	600	0	7,709	353,110	361,419	431	361,850
Exchange adjustments	0	0	0	24	24	0	24
Ordinary dividend paid	0	0	0	0	0	-450	-450
Revaluation for the year	0	-906	0	0	-906	0	-906
Other equity movements	0	0	0	-908	-908	1,740	832
Development costs for the year	0	0	7,315	-7,315	0	0	0
Net profit/loss for the year	0	906	0	-47,302	-46,396	1,754	-44,642
Equity at 31 December 2019	**600**	**0**	**15,024**	**297,609**	**313,233**	**3,475**	**316,708**

Statement of Changes in Equity

Parent

	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Retained earnings	Equity excl. minority interests	Minority interests	Total
	KDKK	KDKK	KDKK	KDKK	KDKK	KDKK	KDKK
Equity at 1 January 2020	600	0	0	312,633	313,233	0	313,233
Exchange adjustments	0	0	0	8,826	8,826	0	8,826
Contribution from group	0	0	0	140,000	140,000	0	140,000
Net profit/loss for the year	0	0	0	-186,482	-186,482	0	-186,482
Equity at 31 December 2020	**600**	**0**	**0**	**274,977**	**275,577**	**0**	**275,577**

Parent

Equity 1. januar 2019	600	0	0	360,819	361,419	0	361,419
Exchange adjustments	0	0	0	23	23	0	23
Revaluation for the year	0	-906	0	0	-906	0	-906
Other equity movements	0	0	0	-908	-908	0	-908
Net profit/loss for the year	0	906	0	-47,301	-46,395	0	-46,395
Equity at 31 December 2019	**600**	**0**	**0**	**312,633**	**313,233**	**0**	**313,233**

Cash Flow Statement 1 January - 31 December 2020

	Note	Group 2020 KDKK	Group 2019 KDKK
Net profit/loss for the year		-187,154	-45,547
Adjustments	20	154,578	147,124
Change in working capital	21	-72,775	43,411
Cash flows from operating activities before financial items		**-105,351**	**144,988**
Financial income		8,794	1,624
Financial expenses		-82,909	-63,024
Cash flows from ordinary activities		**-179,466**	**83,588**
Corporation tax paid		-1,497	-10,742
Cash flows from operating activities		**-180,963**	**72,846**
Purchase of intangible assets		-19,709	-164,483
Purchase of property, plant and equipment		-50,123	-121,332
Fixed asset investments made etc		2,428	-6,368
Cash flows from investing activities		**-67,404**	**-292,183**
Repayment of mortgage loans		3	-111
Repayment of other debt		0	5,872
Repayment of other long-term debt		0	-15,286
Raising of loans from credit institutions		76,470	0
Raising of loans from group enterprises		-13,561	45,912
Raising of other long-term debt		0	204,175
Equity shareholder increase		140,000	10,950
Dividend paid		-705	0
Other adjustments		7,331	0
Cash flows from financing activities		**209,538**	**251,512**
Change in cash and cash equivalents		**-38,829**	**32,175**
Cash and cash equivalents at 1 January 2020		48,810	16,635
Cash and cash equivalents at 31 December 2020		**9,981**	**48,810**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		47,570	71,234
Overdraft facility		-37,589	-22,424
Cash and cash equivalents at 31 December 2020		**9,981**	**48,810**

Notes to the Financial Statements

1 Going concern

Management reacted instantly to support the governments recommendations in Denmark, Norway and Finland and closed all venues in March and April 2020 as a result of the COVID-19 outbreak. Subsequently, a temporary government ban on bar and nightclub activities was implemented in Denmark, Norway and Finland. As a result, the shareholders contributed DKK 140 million to the Group through convertible loans in March 2020 and the Group increased its facilities by DKK 85 million from its bank in April 2020.

The ban on these activities has had a significant negative effect on the Group's revenue, earnings, cash-flow and liquidity in 2020, as the ban has been extended continuously to throughout 2020 and continues into 2021.

As a result, the Group and its lenders have in February 2021 agreed the principles for the financing package, which means that the Group will receive an additional DKK 30 million from the shareholders and will be provided with a credit facility of DKK 250 million (80% guarantee from the Growth Fund). With the additional cash and credit line in 2021 it is Management´s assessment that this will ensure that the Group will have sufficient liquidity in 2021 to support the Group operations and planned investments.

The going concern assessment is based on an updated liquidity budget where management have prepared different scenarios of how the COVID-19 situation will impact the expected revenue, profit, cash flow etc. in the future. In these scenarios Management have made several material assumptions including expectations for the reopening of the venues, consumer behavior, government compensation schemes, cost reductions, reduction of capex etc.

The going concern assessment is based on the assumption that reopening in all countries will occur with restrictions on opening hours, number of guests, etc. The expected figures are sensitive to changes in theserestrictions, government compensation schemes, dates of reopening, market development, cost structure and networking capital expectations. Management assesses that even if a worst-case scenario occurs, it is possible to reduce the cost base of the Groups operations through savings, ensuring that the Group and the Company have sufficient liquidity and capital resources to continue their operations throughout 2021.

Management therefore submits and approves the annual report for 2020 on the assessment of going concern.

2 Subsequent events

COVID-19 is still having material implications on REKOM´s operations in 2021, and will therefore also have a negative effect on the Group's revenue and EBITDA in 2021. Management is monitoring the developments closely, but currently it is not possible to accurately estimate the extent of the COVID-19 impact for the financial year 2021.

As a consequence, Management and the the Group's lenders have agreed a financing package in February 2021, which supports the group's going concern. The agreement ensures that the Group will receive an additional DKK 30 million from the shareholders and will be provided with a credit facility of DKK 250 million from the bank (80% guarantee by the Danish Growth Fund).

No other material events affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

	Group		Parent	
	2020	2019	2020	2019
	KDKK	KDKK	KDKK	KDKK
3 Special items				
One-off consulting cost	2,310	3,469	0	0
Transactions	1,704	8,064	0	50
Restructuring	1,750	565	0	0
Closed and refurbished venues	1,541	4,556	0	0
Impairment of fixed assets	4,538	1,270	0	0
Impairment of intangible assets	7,189	0	0	0
Gain/Loss on disposal	5,066	-843	0	0
One-off Venue management	0	1,802	0	0
Government compensation schemes	-185,252	0	0	0
	-161,154	**18,883**	**0**	**50**
4 Revenue				
Geographical segments				
Revenue, Denmark	154,884	426,532	0	0
Revenue, other Europe	163,765	328,098	0	0
	318,649	**754,630**	**0**	**0**
5 Staff expenses				
Wages and salaries	211,698	197,457	0	0
Pensions	4,341	4,827	0	0
Other social security expenses	7,308	8,229	0	0
Other staff expenses	7,014	10,311	0	0
	230,361	**220,824**	**0**	**0**
Including remuneration to the Executive Board of:				
Executive Board and Board of Directors	1,343	1,832	0	0
	1,343	**1,832**	**0**	**0**
Average number of employees	**659**	**708**	**0**	**0**

Notes to the Financial Statements

	Group		Parent	
	2020	2019	2020	2019
	KDKK	KDKK	KDKK	KDKK
6 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment				
Amortisation of intangible assets	57,226	49,832	0	0
Depreciation of property, plant and equipment	40,957	31,501	0	0
Impairment of intangible assets	7,189	0	0	0
Impairment of property, plant and equipment	4,538	1,270	0	0
Gain and loss on disposal	5,066	-843	0	0
	114,976	**81,760**	**0**	**0**
7 Financial income				
Interest received from group	0	0	11,239	10,218
Financial income	0	1,624	0	0
Exchange gains	8,793	0	7,420	0
	8,793	**1,624**	**18,659**	**10,218**
8 Financial expenses				
Interest paid to parent enterprises	10,403	2,785	8,807	2,785
Financial expenses	69,839	54,683	33,596	41,932
Exchange loss	2,667	5,556	0	4,206
	82,909	**63,024**	**42,403**	**48,923**

Notes to the Financial Statements

	Group		Parent	
	2020	2019	2020	2019
	KDKK	KDKK	KDKK	KDKK
9 Tax on profit/loss for the year				
Current tax for the year	1,362	5,469	0	-4,104
Deferred tax for the year	-33,543	-1,505	-1,921	0
Adjustment of tax concerning previous years	-2,332	0	-138	0
	-34,513	**3,964**	**-2,059**	**-4,104**

10 Intangible assets

Group

	Completed development projects	Acquired patents	Acquired brand	Acquired key money	Goodwill	Development projects in progress
	KDKK	KDKK	KDKK	KDKK	KDKK	KDKK
Cost at 1 January 2020	15,447	409	48,600	159,137	699,363	6,820
Exchange adjustment	0	0	0	-526	-2,629	0
Additions for the year	7,438	0	0	6,190	6,082	0
Disposals for the year	-2,881	0	0	0	0	0
Transfers for the year	6,820	0	0	0	0	-6,820
Cost at 31 December 2020	26,824	409	48,600	164,801	702,816	0
Impairment losses and amortisation at 1 January 2020	3,007	0	4,998	16,613	57,642	0
Exchange adjustment	0	0	0	-116	-316	0
Impairment losses for the year	4,935	0	0	705	1,549	0
Amortisation for the year	7,356	41	2,803	9,113	37,912	0
Reversal of amortisation of disposals for the year	-1,041	0	0	0	-906	0
Impairment losses and amortisation at 31 December 2020	14,257	41	7,801	26,315	95,881	0
Carrying amount at 31 December 2020	**12,567**	**368**	**40,799**	**138,486**	**606,935**	**0**

Notes to the Financial Statements

10 Intangible assets (continued)

Group

	Completed development projects	Acquired patents	Acquired brand	Acquired key money	Goodwill	Development projects in progress
	KDKK	KDKK	KDKK	KDKK	KDKK	KDKK
Amortised over	3-10 years	20 years	10 years	10-20 years	10-20 years	

Development cost is measured at cost.

Development projects comprises the cost af acquisition, expenses and internal development salaries directly related to a new employee app, the further development of ERP mainly in Norway and Finland and further development of the membership- and loyalty-app. The employee app was launched in November 2020. The ERP system in Finland was launched in the spring 2020 and in Norway in the fall 2020.

Goodwill acquired in connection with strategic business acquisitions and / or associations with a strong market position and long-term earnings profiles as Rekom, has a useful life of 20 years, as the value of existing bar locations, popular bar concepts, established supplier relationships, professional reputation in the market, strong awareness among end-users, know-how and competencies among the employees, as well as the company's ability to roll out both existing and new concepts in new geographical markets, can be expected to contribute positively to the company's future earnings for a period of at least 20 years.

Notes to the Financial Statements

11 Property, plant and equipment

Group

	Land and buildings	Other fixtures, fittings and equipment	Leasehold improvements	Property and equipment in progress
	KDKK	KDKK	KDKK	KDKK
Cost at 1 January 2020	1,757	114,087	277,080	2,448
Exchange adjustment	0	-2,706	-7,582	0
Additions for the year	0	11,498	41,462	5,940
Disposals for the year	0	-2,726	-8,560	0
Transfers for the year	0	0	2,448	-2,448
Cost at 31 December 2020	1,757	120,153	304,848	5,940
Impairment losses and depreciation at 1 January 2020	182	59,451	79,109	0
Exchange adjustment	0	-1,729	-2,535	0
Impairment losses for the year	0	758	3,780	0
Depreciation for the year	36	19,742	21,212	0
Reversal of impairment and depreciation of sold assets	0	-2,404	-3,255	0
Impairment losses and depreciation at 31 December 2020	218	75,818	98,311	0
Carrying amount at 31 December 2020	**1,539**	**44,335**	**206,537**	**5,940**
Depreciated over	50 years	3-5 years	3-10 years	

Notes to the Financial Statements

	Parent	
	2020	2019
	KDKK	KDKK
12 Investments in subsidiaries		
Cost at 1 January 2020	688,328	687,272
Additions for the year	140,000	1,056
Cost at 31 December 2020	828,328	688,328
Value adjustments at 1 January 2020	-25,901	-13,302
Exchange adjustment	8,826	23
Net profit/loss for the year	-132,687	17,490
Amortisation of goodwill	-31,889	-30,112
Other adjustments	-906	0
Value adjustments at 31 December 2020	-182,557	-25,901
Carrying amount at 31 December 2020	**645,771**	**662,427**
Remaining positive difference included in the above carrying amount at 31 December 2020	528,183	559,016

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Aloha Beach Bar ApS	Copenhagen	DKK 60,000	100%
ANDYS BAR ApS	Copenhagen	DKK 90,000	100%
Aya ApS	Copenhagen	DKK 50,000	100%
Bar 7 ApS	Copenhagen	DKK 50,000	100%
BFP AF 1.9.1997. KØBENHAVN ApS	Vejle	DKK 200,000	100%
BFP AALBORG ApS	Copenhagen	DKK 80,000	100%
BRØGGERIET ApS	Copenhagen	DKK 200,000	100%
Bæst Bar ApS	Copenhagen	DKK 80,000	100%
CAFÉ DA VINCI ApS	Copenhagen	DKK 125,000	100%
Charlottenlund Venues ApS	Copenhagen	DKK 50,000	75%
CUCARACHA BAR ApS	Copenhagen	DKK 125,000	100%
Dandy Cph. ApS	Copenhagen	DKK 50,000	100%
DEN GLADE GRIS ApS	Copenhagen	DKK 125,000	100%
Dorsia ApS	Copenhagen	DKK 50,000	100%
El Dorado Bar ApS	Copenhagen	DKK 50,000	100%
Farfars ApS	Copenhagen	DKK 80,000	100%
GULDHORNENE KBH. ApS	Copenhagen	DKK 125,000	55%

GULDHORNENE AALBORG ApS	Copenhagen	DKK 80,000	100%
GULDHORNENE, ÅRHUS ApS	Copenhagen	DKK 80,000	100%
H-BAR ÅRHUS ApS	Copenhagen	DKK 50,000	100%
HEIDIS BIER BAR ODENSE ApS	Copenhagen	DKK 125,000	100%
Heidis Bier Bar Sønderborg ApS	Copenhagen	DKK 50,000	100%
HEIDIS BIER BAR THISTED ApS	Copenhagen	DKK 50,000	100%
Heidi's Bier Bar Vejle ApS	Copenhagen	DKK 50,000	100%
HEIDIS BIER BAR AALBORG ApS	Copenhagen	DKK 80,000	100%
HEIDIS BIER BAR ÅRHUS ApS	Copenhagen	DKK 125,000	100%
HEIDI'S BIER-BAR ApS	Copenhagen	DKK 125,000	100%
HEIDI'S BIER-BAR SVENDBORG ApS	Copenhagen	DKK 80,000	100%
HIVE ApS	Copenhagen	DKK 80,000	100%
HORNSLETH BAR ApS	Copenhagen	DKK 125,000	100%
KBH Invest III ApS	Copenhagen	DKK 60,000	100%
L.A. TEQUILA BAR ODENSE ApS	Copenhagen	DKK 125,000	100%
LA BAR, KØBENHAVN ApS	Copenhagen	DKK 125,000	100%
La Boucherie ApS	Copenhagen	DKK 80,000	100%
LA Tequila Bar Aarhus ApS	Copenhagen	DKK 50,000	100%
Little Green Door ApS	Copenhagen	DKK 80,000	100%
London Bar ApS	Copenhagen	DKK 50,000	100%
LouLou Århus ApS	Copenhagen	DKK 50,000	75%
Musen & Elefanten ApS	Copenhagen	DKK 80,000	100%
Nbar ApS	Copenhagen	DKK 50,000	100%
NightPay ApS	Copenhagen	DKK 50,000	100%
No Stress Bar DK ApS	Copenhagen	DKK 50,000	50%
Proud Mary ApS	Copenhagen	DKK 40,000	100%
Rabalder bar ApS	Copenhagen	DKK 50,000	100%
Rekom & Jyrgen Dampmøllen ApS	Copenhagen	DKK 50,000	100%
Rekom DK Invest ApS	Copenhagen	DKK 50,000	100%
- BUDDY HOLLY, FREDERIKSHAVN ApS	Copenhagen	DKK 125,000	100%
- CRAZY DAISY, NÆSTVED ApS	Copenhagen	DKK 125,000	100%
- Dansebar & Einstein Herning ApS	Copenhagen	DKK 80,000	100%
- DANSEBAR, ROSKILDE ApS	Copenhagen	DKK 125,000	100%
- ESKE´s ApS	Copenhagen	DKK 80,000	100%
- James Bond - 007 ApS	Copenhagen	DKK 50,000	100%
- Kompagnibar ApS	Copenhagen	DKK 50,000	100%
- Lola Sønderborg ApS	Copenhagen	DKK 125,000	100%
- Mavericks Silkeborg ApS	Copenhagen	DKK 50,000	100%
- Mørk´s Kælder ApS	Copenhagen	DKK 200,000	100%
- PIONER BAR TØNDER ApS	Copenhagen	DKK 50,000	100%
- PIONER BAR, ESBJERG ApS	Copenhagen	DKK 50,000	100%
- PIONER BAR, VARDE ApS	Copenhagen	DKK 80,000	100%
- Rustik - Bar og Natklub ApS	Copenhagen	DKK 50,000	100%
- Temabar ApS	Copenhagen	DKK 125,000	100%

- Temabar Viborg ApS	Copenhagen	DKK 50,000	100%
- VILLA, SILKEBORG ApS	Copenhagen	DKK 50,000	100%
Rekom Drift 1 ApS	Copenhagen	DKK 50,000	100%
ReKom Drift 5 ApS	Copenhagen	DKK 50,000	100%
Rekom Event ApS	Copenhagen	DKK 50,000	100%
Rekom Global Brands ApS	Copenhagen	DKK 605,469	100%
Rekom Group A/S	Copenhagen	DKK 500,000	100%
Rekom Group Norge AS	Kristiansand	NOK 30,000	100%
- Rekom Norge AS	Kristiansand	NOK 100,000	100%
- Alibi Frederikstad AS	Kristiansand	NOK 60,000	100%
- Beverly AS	Kristiansand	NOK 89,105	100%
- Brukbar Bergen AS	Kristiansand	NOK 30,000	100%
- Dorsia Oslo AS	Kristiansand	NOK 30,000	100%
- Engene 12 Drammen AS	Kristiansand	NOK 30,000	100%
- Fina Vere AS	Kristiansand	NOK 60,000	100%
- HBB Bergen AS	Kristiansand	NOK 100,000	100%
- HBB Kristiansand AS	Kristiansand	NOK 30,000	100%
- HBB Stavanger AS	Kristiansand	NOK 9,167,583	100%
- HBB Trondheim AS	Kristiansand	NOK 30,000	100%
- HBB Tønsberg AS	Kristiansand	NOK 30,000	100%
- Heidis Bier Bar Odense AS	Kristiansand	NOK 500,000	100%
- Heidis Bier Bar Drammen AS	Kristiansand	NOK 30,000	100%
- Hygge AS	Kristiansand	NOK 60,000	100%
- ISM Oslo AS	Kristiansand	NOK 30,000	100%
- Jennys AS	Kristiansand	NOK 200,000	50%
- KJ10 Rekom AS	Kristiansand	NOK 30,000	100%
- La Belle Drift AS	Kristiansand	NOK 200,000	100%
- LouLou Bergen AS	Kristiansand	NOK 30,000	100%
- Nightpay Norge AS	Kristiansand	NOK 30,000	100%
- Proud Mary Stavanger AS	Kristiansand	NOK 196,000	100%
- Rabalder Bar Stavanger AS	Kristiansand	NOK 102,000	100%
- Rekom Norge Drift 13 AS	Kristiansand	NOK 30,000	100%
- Rekom Tromsø AS	Kristiansand	NOK 30,000	100%
- Skjenken Bar og Bakgård AS	Kristiansand	NOK 30,000	100%
- Stavanger Sportscafe AS	Kristiansand	NOK 34,241	100%
- Store Høvding AS	Kristiansand	NOK 30,000	100%
Rekom R&D ApS	Copenhagen	DKK 125,000	100%
- Rekom R&D NUF (Norwegian affiliate)	Kristiansand	NOK 0	100%
Rekom Aalborg ApS	Copenhagen	DKK 50,000	100%
- Andys/ Sprutten ApS	Copenhagen	DKK 500,000	100%
- Den Nordiske Ambassade ApS	Copenhagen	DKK 50,000	100%
- Fabrikken, Aalborg ApS	Copenhagen	DKK 500,000	100%
- FFB Invest Aalborg ApS	Copenhagen	DKK 500,000	100%
- Giraffen ApS	Copenhagen	DKK 500,000	100%

- High Voltage Ålborg ApS	Copenhagen	DKK 50,000	100%
- LA Bar/Tyren ApS	Copenhagen	DKK 500,000	100%
- LaLa, Aalborg ApS	Copenhagen	DKK 50,000	100%
- Mexi Bar ApS	Copenhagen	DKK 500,000	100%
- The Drunken Flamingo, Aalborg ApS	Copenhagen	DKK 50,000	90%
- Viggo´s Værtshus ApS	Copenhagen	DKK 125,000	100%
Restaurationskompagniet Finland OY	Helsinki	EUR 1,250,000	100%
Rhino Bar ApS	Copenhagen	DKK 90,000	100%
Simpelt V ApS	Copenhagen	DKK 90,000	100%
Sjus Bar ApS	Copenhagen	DKK 125,000	100%
SKAAL ApS	Copenhagen	DKK 50,000	90%
Stereo Bar ApS	Copenhagen	DKK 80,000	100%
Stereo Bar Vestergade ApS	Copenhagen	DKK 50,000	100%
The Australian Bar Århus ApS	Copenhagen	DKK 80,000	100%
The Australian bar København ApS	Copenhagen	DKK 200,000	100%
The Australian Bar Odense ApS	Copenhagen	DKK 200,000	100%
The Drunken Flamingo ApS	Copenhagen	DKK 80,000	100%
Tyrolia Bier Klub ApS	Copenhagen	DKK 80,000	100%
Tørst Bar ApS	Copenhagen	DKK 90,000	100%

13 Other fixed asset investments

	Group	Parent
	Deposits	Receivables from group enterprises
	KDKK	KDKK
Cost at 1 January 2020	18,618	-65,356
Additions for the year	1,151	124,357
Disposals for the year	-3,578	0
Cost at 31 December 2020	16,191	59,001
Carrying amount at 31 December 2020	**16,191**	**59,001**

14 Other receivables

Other receivables consist of government compensation schemes and marketing contributions.

Notes to the Financial Statements

15 Prepayments

Prepayments consist of prepaid expenses concerning rent, acquisitions, insurance premiums and subscriptions.

16 Equity

The share capital consists of 600,000 shares of a nominal value of DKK 1. No shares carry any special rights.

17 Distribution of profit

	Group		Parent	
	2020	2019	2020	2019
	KDKK	KDKK	KDKK	KDKK
Minority interests' share of net profit/loss of subsidiaries	-672	1,755	0	0
Retained earnings	-186,482	-47,302	-186,482	-47,301
	-187,154	**-45,547**	**-186,482**	**-47,301**

18 Deferred tax asset

Provision for deferred tax at 1 January 2020	-35,576	-31,190	0	0
Amounts recognised in the income statement for the year	29,662	1,505	1,921	0
Amounts recognised in acquisitions	6,650	-5,891	2,670	0
Provision for deferred tax at 31 December 2020	**736**	**-35,576**	**4,591**	**0**

Deferred tax is allocated for all timing differences between accounting and taxation values, including differences in the book value of tangible assets, intangible assets, and the tax value of taxable deficits carried forward. Deferred tax assets are measured in the balance sheet at their expected realizable value. Recognition of the deferred tax asset and the expectations to the utilization is based on the set targets in the budget for 2021 and the projections for the following 5 years.

Notes to the Financial Statements

19 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		Parent	
	2020	2019	2020	2019
	KDKK	KDKK	KDKK	KDKK
Mortgage loans				
After 5 years	266	0	0	0
Between 1 and 5 years	306	574	0	0
Long-term part	572	574	0	0
Within 1 year	61	57	0	0
	633	**631**	**0**	**0**
Credit institutions				
After 5 years	0	658,960	0	375,019
Between 1 and 5 years	738,953	0	402,122	0
Long-term part	738,953	658,960	402,122	375,019
Other short-term debt to credit institutions	37,589	22,120	0	0
	776,542	**681,080**	**402,122**	**375,019**
Other payables				
Between 1 and 5 years	9,327	12,849	0	0
Long-term part	9,327	12,849	0	0
Other short-term payables	91,107	121,095	190	10,091
	100,434	**133,944**	**190**	**10,091**

Notes to the Financial Statements

	Group	
	2020	2019
	KDKK	KDKK
20 Cash flow statement - adjustments		
Financial income	-8,793	-1,624
Financial expenses	82,909	63,024
Depreciation, amortisation and impairment losses, including losses and gains on sales	114,975	81,760
Tax on profit/loss for the year	-34,513	3,964
	154,578	**147,124**

21 Cash flow statement - change in working capital		
Change in inventories	11,700	-9,616
Change in receivables	-19,554	-24,920
Change in other payables	-29,983	55,207
Change in trade payables, etc	-34,938	22,740
	-72,775	**43,411**

	Group		Parent	
	2020	2019	2020	2019
	KDKK	KDKK	KDKK	KDKK

22 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with mortgage credit institutes:

Land and buildings with a booked value of	1,538	1,575	0	0

The following assets have been placed as security with bankers:

Securities in moveables	110,800	114,400	0	0
Securities in property, by-laws and owners' association	1,079	1,110	0	0
Surety	72,933	41,460	72,933	41,460

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	83,024	73,826	0	0
Between 1 and 5 years	155,650	164,739	0	0
After 5 years	67,697	75,735	0	0
	306,371	**314,300**	**0**	**0**

Guarantee obligations

Third parties guarantees	31,759	17,670	0	0

Notes to the Financial Statements

22 Contingent assets, liabilities and other financial obligations (continued)

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of CC Fly Invest ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability

The Group has a credit facility agreement with Nordea with a credit limit of DKK 120 million (DKK 85 million at 31 December 2019) of which an overdraft facility amounts to DKK 50 million (DKK 35 million at 31 December 2019) and a rent guarantee limit amounts to DKK 70 million (DKK 35 million at 31 December 2019).

Certain of the Group's subsidiaries have pledged operating equipment and leases including rights for a total of DKK 87 million (DKK 91 million at 31 December 2019). At the same time, certain of the Group's subsidiary shares are pledged in connection with their accession to the credit agreements.

The parent company´s shares in Rekom Group A/S are pledged in connection with the company´s accession to the credit agreements.

The parent company has secured a guarantee against Rekom Group's credit facility at Nordea. At year end this amounts to DKK 37,5 million (DKK 22,1 million at 31 December 2019).

23 Related parties

	Basis
Controlling interest	
CataCap II K/S	Ultimate parent company
CC Fly Holding I ApS	Principal Shareholder

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Notes to the Financial Statements

24 Fee to auditors appointed at the general meeting

	Group		Parent	
	2020	2019	2020	2019
	KDKK	KDKK	KDKK	KDKK
PricewaterhouseCoopers				
Audit fee	2,824	2,716	24	24
Other assurance engagements	659	65	0	0
Tax advisory services	216	250	0	0
Other services	1,590	2,394	5	5
	5,289	**5,425**	**29**	**29**

Notes to the Financial Statements

25 Accounting Policies

The Annual Report of CC Fly Holding II A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Consolidated and Parent Company Financial Statements for 2020 are presented in KDKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, CC Fly Holding II A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations

Business acquisitions

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired

25 Accounting Policies (continued)

contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Amortisation of goodwill is allocated in the Consolidated Financial Statements to the operations to which goodwill is related. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

Business acquisitions

Minority interests are recognised at the carrying amounts of the acquired assets and liabilities at the time of acquisition of subsidiaries.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

Notes to the Financial Statements

25 Accounting Policies (continued)

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Revenue

Information on business segments and geographical segments based on the Group´s risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Notes to the Financial Statements

25 Accounting Policies (continued)

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment. The compensation of audit fee for compensation schemes have been deducted in the fees to the auditor.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

25 Accounting Policies (continued)

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 10-20 years.

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 20 years.

Development projects are measured at the lower of cost less accumulated amortisation and recoverable amount. Development projects are amortised on a straight-line basis over its useful life, which is assessed at 3-10 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Production buildings	50	years
Other fixtures and fittings, tools and equipment	3-5	years
Leasehold improvements	3-10	years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

25 Accounting Policies (continued)

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item"Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at KDKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposits and receivables from group enterprises.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale equals landed cost.

Notes to the Financial Statements

25 Accounting Policies (continued)

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, acquisitions, insurance premiums and subscriptions.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the

Notes to the Financial Statements

25 Accounting Policies (continued)

loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

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

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

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

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Gross margin $\frac{\text{Gross profit x 100}}{\text{Revenue}}$

Profit margin $\frac{\text{Profit before financials x 100}}{\text{Revenue}}$

Notes to the Financial Statements

25 Accounting Policies (continued)

Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$