Lagkagehuset A/S

Dortheavej 10, 2400 Copenhagen NV

CVR no. 20 21 30 94

Annual report 2020

Approved at the Company's annual general meeting on 31 May 2021

Chair of the meeting:

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Carl Moltke

Building a better working world

Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Lagkagehuset 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 give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations 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 Company's operations and financial matters and the results of the Company's operations and financial position.

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

Copenhagen, 31 May 2021
Executive Board:

DocuSigned by:
Lisa rossen
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Lisa Rossen Borch

Board of Directors:

DocuSigned by: Jason Cotta 8F25CE6E4D374D1...	DocuSigned by: 37930F65E87C443...	DocuSigned by: 611141EAF096417...
Jason Anthony Cotta Chair	Mikael Koch Jensen	Jesper Mark Dixen

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Lisa rossen
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Lisa Rossen Borch

Independent auditor's report

To the shareholder of Lagkagehuset A/S

Opinion

We have audited the financial statements of Lagkagehuset 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 accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Basis for opinion

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

Independence

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Independent auditor's report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Copenhagen, 31 May 2021
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Thomas Bruun Kofoed State Authorised Public Accountant mne28677	Peter Andersen State Authorised Public Accountant mne34313

Management's review

Company details

Name	Lagkagehuset A/S
Address, Postal code, City	Dortheavej 10, 2400 Copenhagen NV
CVR no.	20 21 30 94
Established	27 June 1997
Registered office	Copenhagen
Financial year	1 January - 31 December
Website	www.lagkagehuset.dk
E-mail	info@lagkagehuset.dk
Board of Directors	Jason Anthony Cotta, Chairman Mikael Koch Jensen Jesper Mark Dixen Lisa Rossen Borch
Executive Board	Lisa Rossen Borch
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark
Bankers	Nordea SEB

Management's review

Financial highlights

DKK'000	2020	2019	2018	2017	2016
Key figures					
Revenue	830,222	962,136	880,677	781,384	664,404
Gross profit	378,250	485,798	451,623	408,291	351,965
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-87,924	-16,089	15,594	64,335	91,434
Profit/loss before net financials	-162,169	-113,246	-41,728	17,761	54,190
Net financials	-3,301	-17,230	-10,574	-4,750	-4,329
Financial expenses	-174,101	-130,476	-52,302	13,011	49,861
Profit/loss for the year	-171,301	-118,749	-41,886	9,940	38,341
Fixed assets	398,280	427,993	411,498	293,536	258,194
Non-fixed assets	238,640	71,840	83,991	85,314	41,268
Total assets	636,920	499,833	495,489	378,850	299,462
Investments in property, plant and equipment	41,479	105,876	106,747	73,055	68,590
Equity	318,765	22,954	141,703	183,588	173,649
Provisions	25,365	21,440	8,428	20,786	18,993
Non-current liabilities other than provisions	46,570	23,189	7,990	3,205	5,153
Current liabilities other than provisions	246,220	432,250	337,368	171,271	101,667
Financial ratios					
Operating margin	-20.6%	-11.8%	-4.7%	2.3 %	8.2 %
Return on assets	-18.2%	-7.9%	0.0%	5.2%	19.9%
Current ratio	96.9%	16.6%	24.9%	49.8%	40.6%
Equity ratio	50.0%	4.6%	28.6%	48.5%	58.0%
Return on equity	-100.3%	-144.2%	-25.8%	5.6%	24.8%
Average number of employees	948	1,053	958	810	695

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations. For terms and definitions, please see the accounting policies.

Management's review

Business review

Lagkagehuset A/S (Company) was founded for the purpose to run a premium concept within the bakery and café segment in Denmark.

The Company expects to grow and expand primarily by establishing new stores.

The Company is 100% owned by Danish Bake A/S and is a part of the consolidated financial statements of Danish Bake Holding ApS for the year ended 31 December 2020.

Financial review

2020 started well in Denmark and for company, following the plans established in late 2019. However, the arrival of COVID-19 in Denmark drove significant adverse impact to our business plan, our operating model and our commercial performance. Combinations of complete and or partial lockdowns, travel restrictions, displacement of customers and the protection of our teams and customers necessitated complete evaluation of the business. The flexibility and agility of our teams and the loyalty of our customers has been outstanding throughout.

In Denmark given our position as a trusted baker and part of the food network, we were able to stay open and trading in most of our locations, we have had between 10-13 locations closed at any time in 2020. With of course all the controls and guidelines in place to protect the health of our teams and our customers, we have traded successfully in many stores, most notably shop in shop locations, drive thru and more residential locations. Sadly, this success has not been enough to offset the impact of the closed locations, the dramatic downturn in business travelers (impacted stores at airport and train stations) and the total loss of overseas visitors. Management has worked to secure as many jobs as possible and has used the governmental furlough schemes as required. No other funds have been accessed or financial support has been received from the state.

The Company revenue for the period 1 January – 31 December 2020 amounted to DKK 830 million (2019: DKK 962 million), while loss for the period amounted to DKK 171 million (2019: loss of DKK 119 million). The balance sheet showed an equity of DKK 319 million at 31 December 2020 (2019: DKK 23 million). Gross profit for the period amounted to DKK 378 million (2019: DKK 486 million), and EBITDA loss for the period amounted to DKK 88 million (2018: loss of DKK 16 million). Profit for the period is impacted negatively with DKK 70 million (2019: DKK 62 million) due to internationalization.

In 2020, Lagkagehuset opened 3 new and closed one store in Denmark. The number of new establishments islower than planned, as management decided to slow down expansion until COVID market conditions improve.

It is expected that all the danish market will start normalizing during 2021 and end year being close to pre COVID except for specific locations like airports and heavy tourist and traffic areas which we expect to take longer to normalize.

Results for the year are considered unsatisfactory, driven purely by the extraordinary market circumstances of COVID-19. This performance and adversity have enabled us to look anew at the whole of our business and its operating model, so we have developed a new strategy plan as we closed 2020. This plan when successfully implemented in 2021 will deliver a transformation in our Danish market, starting with the store operating model, improving the customer experience whilst freeing up time for the teams to spend more time with our customers. Centralizing our ordering systems will enable maximum availability and minimum waste from our completely vertically integrated business. Building upon our artisanal skill and heritage in baking and confectionary will continue bringing truly excellent products to our customers, and finally expanding our digital footprint and loyalty customer program will bring even more value and better services to our customers. This work in totality will improve our customer experience, and our team experience in Denmark.

Management's review

Non-financial matters

In Denmark, the bakery segment in 2020 was still characterized by a consumer trend moving towards more freshly baked products rather than packaged products, which leads to higher growth rates within freshly baked products. Therefore, an increased share of retailers is offering non packaged bakery products in supermarkets, etc. This development combined with niche bakeries with products of very high quality and the consumers having continued focus on food quality in general entails increased requirements for bakers in terms of product quality and service than previously.

Both in Denmark as internationally, there are consumer trends within food moving towards on the go solutions, which creates growth opportunities within food and coffee offerings. With the loyalty program and our App solution supporting this click and collect and take away is a significant growth driver looking forward.

Knowledge resources

For the continued growth of the Company, it is important to attract and retain highly skilled employees, including bakers, pastry chefs and store managers. To meet customers' needs and to ensure the best possible customer experience, focus is on high product quality and a high level of service, which requires strong competencies of our employees, which are built up by ongoing training and education.

Financial risks and use of financial instruments

Due to its operations, investments and financing, the Company is exposed to changes in interest rates. The parent Company manages the Company's financial risks and liquidity, including capital sourcing and investment of surplus liquidity, centrally. Under the Company's financial policy, the risk profile is kept low to ensure that interest rate and credit risks arise only because of commercial circumstances.

Management evaluates the capital structure of Lagkagehuset A/S on an ongoing basis and if a need for further capital exists such will be provided for by the parent Company Danish Bake Holding A/S.

There is an overall credit facility of DKK 550 million at 31 December 2020. Covenant requirements for the credit facility have been reported on an ongoing basis, and all conditions have been met.

Impact on the external environment

The Company's activities are not considered to have significant effect on the external environment and climate, and therefore, no separate policy has been prepared in this respect. For further description, see below under 'Statutory CSR report'.

Statutory CSR report

The Company strives to act socially responsible in a market that changes every day and has defined several focus areas that are directly linked to operations.

Environment

As part of being socially responsible, the Group strives to limit the environmental impact of the operations.

An inherent part of operating a fresh food business is the risk of food waste. Reducing food waste is thus a continuous effort without also reducing customer experience. A part of the work is carried out in stores and productions where charity organisations supporting social responsibility can pick up excess products. Moreover, certain excess products are reused in production, e.g., for rye granola, rye bread chips or semi-finished products. Assortment changes and reduction in end-of-day planograms were initiated to reduce overall waste in 2020. With the significant changes that COVID brought to the marketplace, being it general sales levels, restrictions or new habits, the relative waste to sales increased in 2020.

A large initiative was in 2020 introduced to digitalize and centralize order planning. Enabling data and projections to support the teams in matching demand and products produced better, aiming at reducing waste by 3%p by end of 2021 versus 2020.

Management's review

Making freshly baked products every day and striving to ensure that also the last customer of the day is presented with a relevant and fresh selection, finished product waste will always be a part of operating our business. However, to further reduce food waste a cooperation with external provider Too Good To Go has been initiated in Denmark. Offering expected end of day products at very low price. Target is to save 1 million of products in 2021 and further reduce overall food waste.

Social and employee conditions

The Company employs both skilled and unskilled employees with more than 948 employees in total. Many apprentices are trained and educated each year, and focus is on having a great base of skilled bakers and pastry chefs in our bakeries in order to uphold the craftsmanship and product quality of the trade.

Our employees are our greatest assets; therefore, we work to create a safe and healthy working environment with a high level of employee satisfaction. In order to ensure a sound and safe working environment, the Company conducts workplace assessments for all employees in accordance with legislation, at least every third year. The outcome of the workplace assessments results in specific action plans to solve issues, if any.

An ongoing eNPS (employee satisfactory measurement) has been implemented in 2020 and first reports being assembled in January 2021. The purpose of this measurement is to continuously have employees report on whether they would recommend working with us to friends and families. This is a clear message to whether we succeed in making our company the best place to work and track and report the development over time. The reporting and feedback are expected at a quarterly basis for the leaders to act and interact based on the numerical development and the comments attached.

Further a Whistleblower (WB) policy and system supported by our Code of Conduct was approved by the management and board during 2020, using an external WB platform supporting anonymous access, reporting to executive management, the Board and access to an external female representative. This is to secure that any critical matter is not restricted and reported in the best and most secure way for the employee or business partner.

The Company has assessed that there is a risk of occupational injuries and stress in both stores and bakeries. During 2020, there has been increased sickness absence of store staff, bakers and pastry staff, which has been approached via workplace assessment and local initiatives are set in to improve areas identified. COVID pandemic had a significant impact to this development.

Our focus on improving the working environment has entailed that employee job satisfaction increased in 2020. The efforts will continue now also using monthly eNPS scoring in 2021.

Anticorruption

The most material risk was found to be employees within procurement and conclusion of contracts. As the Company has a zero-tolerance policy for corruption and bribery, and to minimize the risk thereof, the central management of procurement and conclusion of contracts has been a continued focus area.

The Company have asked all contracted suppliers to sign and commit to an updated Vendor Code of Conduct (the "VCOC") which sets out the overall principles which Lagkagehuset requires Lagkagehusets employees, suppliers, and vendors ("business partners") to operate, behave and live by.

The Company has not prepared a separate human rights policy or direct climate policy, as it is assessed that Company does not have a significant effect.

Management's review

Corporate governance

The Board of Directors and the Executive Board of Lagkagehuset A/S continuously work to ensure that the Company's management structure and control systems are appropriate and work satisfactorily. Management regularly evaluates whether this is the case.

The framework for planning Management's duties is the Danish Companies Act, the Danish Financial Statements Act, the Company's articles of association and ethical guidelines as well as good practice for entities within the same industry. Being ultimately owned by private equity funds, the Company complies with the Danish Venture and Private Equity Association's (DVCA) guidelines on responsible ownership and corporate governance. Internal procedures have been drawn up to ensure active, effective and profitable management of the Company.

Shareholders

On an ongoing basis, the Board of Directors reviews whether the Company's capital structure serves the best interests of both the Company and its stakeholders. The overriding goal is to ensure a capital structure that supports long- term profitable growth.

The Board of Directors' duties

On an ongoing basis, the Board of Directors reviews whether the Company's capital structure serves the best interests of both the Company and its stakeholders. The overriding goal is to ensure a capital structure that supports long- term profitable growth.

Remuneration for Management

In order to attract and retain managerial skills, the Executive Board and other executive officers are paid according to duties, value creation and terms in comparable entities. Their remuneration includes incentives to ensure consistency between the interests of Management and the owners, and the incentive schemes reflect both short-term and long-term goals.

Management and some of the members of the Board of Directors of Lagkagehuset A/S and few key employees participate in the parent company's investment incentive program. Treasury shares are sold and acquired as part of the incentive program.

In addition to the incentive program, certain key employees are offered performance-based bonus. Remuneration of the Executive Board and the Board of Directors is disclosed in a note to the financial statements.

Dividend policy

Dividend is distributed with due regard to the consolidation of equity required to ensure the Company's continued expansion and existing agreements with sources of financing.

The Board of Directors proposes that no dividend is paid for the financial year 2020.

The Danish Venture and Private Equity Association (DVCA) has issued guidelines on responsible ownership and corporate governance for private equity funds and entities controlled by private equity funds.

The Danish Venture and Private Equity Association (DVCA) has issued guidelines on responsible ownership and corporate governance for private equity funds and entities controlled by private equity funds.

These recommendations comprise guidelines on disclosures in the Management's review, including corporate governance, financial risks, employees, strategies, etc.

The guidelines have adopted a ""comply or explain"" approach to corporate governance that companies can follow by either complying with the recommendations or explaining why they have not complied. The Management of Lagkagehuset A/S, as described above, generally complies with the DVCA's recommendations with the one exception that the description of projected developments in revenue and earnings is limited due to the general uncertainty relating to market developments in 2020 and for competitive reasons.

Management's review

Account of the gender composition of Management

The Company's policy is to always recruit the best qualified person for a given job, and diversity is considered a strength. The Company is continuously working on harmonizing the gender composition including the gender composition of senior managers.

Currently, one out of four board members is female. The target remains to maintain the number of female board members so that at least one or more board members are female at the end of 2021.

At other management levels, the Company has more female than male managers and thus not an equal gender composition. In connection with recruitment for senior positions, we are focused on seeing candidates of both genders, but qualifications will always be the decisive factor.

By the end of 2020 female managers comprised of 71%.

Events after the balance sheet date

The COVID-19 effects on market conditions are still influencing and reducing the customer flow in traffic locations and thus limiting the financial progress also in 2021. The staged reopening plan followed the governmental recommendations and only few stores has yet to reopen.

The Company feels confident that current cash holdings and cost controls are adequate, and the forecast is secured for a slow normalisation across the markets.

No other events have occurred after the balance sheet date that may materially affect the assessment of the Company's financial position.

Outlook

The Company has originally had an expectation of an increase in turnover due to innovation, loyalty program and new store openings and an improved result for 2020 compared to the 2019 result. However, in March 2020 management identified a significant negative effect of COVID-19 in the form of less sales, mainly because of the operational restrictions and needed closure of some stores.

As it is currently uncertain how this develops, it is difficult to qualify expectations for 2021, but it is Management's expectation that 2021 will improve to 2020, even if still effected hard in first half of the year.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2020	2019
4	Revenue	830,222	962,136
	Cost of sales	-212,107	-236,008
	Other operating income	5,932	0
	Other external expenses	-245,797	-240,330
	Gross profit	378,250	485,798
5	Staff costs	-393,095	-428,136
6	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-82,876	-97,157
7	Other operating expenses	-73,079	-73,751
	Profit/loss before net financials	-170,800	-113,246
8	Financial income	11,667	57
9	Financial expenses	-14,968	-17,287
	Profit/loss before tax	-174,101	-130,476
10	Tax for the year	2,800	11,727
	Profit/loss for the year	-171,301	-118,749

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2020	2019
	ASSETS		
	Fixed assets		
11	Intangible assets		
	Completed development projects	19,307	15,783
	Acquired intangible assets	733	1,654
	Goodwill	43,037	50,014
		63,077	67,451
12	Property, plant and equipment		
	Plant and machinery	112,197	120,299
	Other fixtures and fittings, tools and equipment	34,253	39,711
	Leasehold improvements	180,305	192,073
	Property, plant and equipment in progress	223	223
		326,978	352,306
13	Investments		
	Other receivables	8,225	8,236
		8,225	8,236
	Total fixed assets	398,280	427,993
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	14,850	13,756
	Finished goods and goods for resale	669	917
		15,519	14,673
	Trade receivables	3,884	6,261
	Income taxes receivable	2,800	1,357
	Other receivables	4,313	9,077
14	Prepayments	6,547	12,158
		17,544	28,853
	Cash	205,577	28,314
	Total non-fixed assets	238,640	71,840
	TOTAL ASSETS	636,920	499,833

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2020	2019
	EQUITY AND LIABILITIES		
	Equity		
15	Share capital	1,041	1,000
	Share premium account	0	0
	Reserve for development costs	15,059	12,310
	Retained earnings	302,665	9,644
	Total equity	318,765	22,954
	Provisions		
	Other provisions	25,365	21,440
18	Total provisions	25,365	21,440
	Liabilities other than provisions		
17	Non-current liabilities other than provisions		
	Lease liabilities	0	2,077
	Other payables	46,570	21,112
		46,570	23,189
	Current liabilities other than provisions		
17	Current portion of long-term liabilities	5,961	2,968
	Trade payables	106,622	124,696
	Payables to group entities	69,398	257,820
	Other payables	64,239	46,766
		246,220	432,250
		292,790	455,439
	TOTAL EQUITY AND LIABILITIES	636,920	499,833

1 Accounting policies
2 Events after the balance sheet date
3 Special items
19 Contractual obligations and contingencies, etc.
20 Contingent assets
21 Collateral
22 Related parties
23 Fee to the auditors appointed by the Company in general meeting
24 Appropriation of profit/loss

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Share premium account	Reserve for development costs	Retained earnings	Total
	Equity at 1 January 2020	1,000	0	12,310	9,644	22,954
	Capital increase	41	199,962	0	0	200,003
24	Transfer, see "Appropriation of profit/loss"	0	0	2,749	-174,050	-171,301
	Transferred from share premium account	0	-199,962	0	199,962	0
	Contribution from group	0	0	0	267,109	267,109
	Equity at 31 December 2020	1,041	0	15,059	302,665	318,765

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Lagkagehuset A/S for 2020 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed a requirement for further disclosures. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company Danish Bake Holding ApS.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

External business combinations

Recently acquired entities are recognised in the consolidated financial statements from the date of acquisition. Entities sold or otherwise disposed of are recognised up to the date of disposal. Comparative figures are not restated to reflect newly acquired entities. Discontinued operations are presented separately, see below.

The date of acquisition is the date when the group actually obtains control of the acquiree.

The acquisition method is applied to the acquisition of new entities of which the group obtains control. The acquirees' identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax related to the revaluations is recognised.

Positive differences (goodwill) between, on the one hand, the consideration for the acquiree, the value of non-controlling interests in the acquired entity and the fair value of any previously acquired equity investments and, on the other hand, the fair value of the assets, liabilities and contingent liabilities acquired are recognised as goodwill under "Intangible assets". Goodwill is amortised on a straight-line basis in the income statement based on an individual assessment of the economic life of the asset.

Negative differences (negative goodwill) are recognised in the income statement at the date of acquisition.

Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for impairment testing. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency different from the presentation currency used in the consolidated financial statements are accounted for as assets and liabilities belonging to the foreign entity and are, on initial recognition, translated into the foreign entity's functional currency using the exchange rate at the transaction date.

The consideration paid for an entity consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. If part of the consideration is contingent on future events or compliance with agreed terms, such part of the consideration is recognised at fair value at the date of acquisition. Subsequent adjustments of contingent considerations are recognised in the income statement.

Expenses incurred to acquire entities are recognised in the income statement in the year in which they are incurred.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Where, at the date of acquisition, the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the consideration is associated with uncertainty, initial recognition will take place on the basis of provisional amounts. If it turns out subsequently that the identification or measurement of the consideration transferred, acquired assets, liabilities or contingent liabilities was incorrect on initial recognition, the statement will be adjusted retrospectively, including goodwill, until 12 months after the acquisition, and comparative figures will be restated. Hereafter, any adjustments are recognised as misstatements.

Gains or losses from disposal of subsidiaries which result in loss of control are calculated as the difference between, on the one hand, the fair value of the selling price less selling expenses and, on the other hand, the carrying amount of net assets.

Foreign currency translation

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

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

Income statement

Revenue

The Company has chosen IFRS 15 as interpretation for revenue recognition.

Income from the sale of goods for resale and finished goods is recognised in revenue when a store sells the goods to the customer. Payment is usually due when the customer picks up the goods in the store.

For the customer loyalty program, a performance obligation is recognised at the date of recognition of the sale triggering the allocation of bonus points. The performance obligation is measured at the estimated fair value of the bonus points allocated. Revenue is recognised when the customer uses the bonus points.

Income from the rendering of services is recognised as revenue as the services are rendered.

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

Other operating income and operating expenses

Other operating income and expenses comprise items of a secondary nature relative to the Company's core activities, including governmental furlough schemes, group contribution and losses on the sale of non-current assets.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other external expenses

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

Staff costs

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

Amortisation/depreciation and impairment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

The cost net of the expected residual value for completed development projects and other acquired intangible assets is amortised over the expected useful life.

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business, profitability, market position, business segment and dependency on key employees.

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

Completed development projects	7 years
Acquired intangible assets	5-10 years
Goodwill	10 years

The expected useful life of the Company's investments in software and completed development projects is 5 years, which is considered to be the expected use of the asset.

The Company's investments in other acquired intangible assets are considered to be of strategic importance to future operations. Taking into consideration the Company's plans to increase activities, the economic life has been assessed to be 10 years.

The residual value of all intangible assets is assessed to be DKK 0.

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

Plant and machinery	5-15 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5-10 years

The residual value of all items of property, plant and equipment is assessed to be 0 DKK.

The basis of depreciation is calculated taking into account the residual value of the asset and is reduced by any impairment.

The residual value is determined at the time of acquisition and is reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

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

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities and associates, dividends declared from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

Tax

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

The entity and its Danish group entities are taxed on a joint basis. The Danish income tax charge is allocated between profit-making and loss-making Danish entities in proportion to their taxable income (full allocation method).

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Goodwill is measured at cost less accumulated amortisation and impairment losses.

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities areidentifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

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

The cost of a total asset is divided into separate components, which are depreciated separately if the useful life of the individual components is different.

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

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for in the same way as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries is assessed for impairment on an annual basis.

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

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

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

Inventories

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

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Receivables

Receivables are measured at amortised cost.

The Company has chosen IFRS 9 as interpretation for impairment of financial receivables.

Write-downs on trade receivables are based on the simplified expected credit loss model. Credit loss allowances on individual receivables are provided for when objective indications of credit losses occur such as customer bankruptcy and uncertainty about the customers' ability and/or willingness to pay, etc. In addition to this, allowances for expected credit losses are made on the remaining trade receivables based on a simplified approach.

Prepayments

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

Cash

Cash and cash equivalents comprise cash and short-term marketable securities which are subject to an insignificant risk of changes in value.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are amortised or are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Proposed dividends

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

Provisions

Provisions relate to refurbishment obligations relating to the Group's leased premises. The refurbishment obligation is calculated as the present value of the estimated net costs of refurbishment when leased premises are vacated. This will occur no earlier than at the end of the expected useful life.

Income taxes

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

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

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Lease liabilities

Lease liabilities are measured at the net present value of the remaining lease payments including any guaranteed residual value based on the interest rate implicit in the lease.

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
Operating margin	$\frac{\text{Operating profit (EBIT) x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss from operating activites x 100}}{\text{Average assets}}$
Current ratio	$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$

2 Events after the balance sheet date

The COVID-19 effects on market conditions are still influencing and reducing the customer flow in traffic locations and thus limiting the financial progress also in 2021. The staged reopening plan followed the governmental recommendations and only few stores has yet to reopen.

The Company feels confident that current cash holdings and cost controls are adequate, and the forecast is secured for a slow normalisation across the markets.

No other events have occurred after the balance sheet date that may materially affect the assessment of the Company's financial position.

3 Special items

In order to strengthen equity, the company's capital owners made a capital increase and a group contribution as of December, 29 2020. The total capital increase amount to DKK 200,003 thousand and the group contribution amounts to DKK 267,109 thousand.

Financial statements 1 January - 31 December

Notes to the financial statements

4 Segment information

The Company only operates within one business segment, operation of bakeries, only in Denmark. Therefore, no separate segment information has been provided.

	DKK'000	2020	2019
5	Staff costs		
	Wages/salaries	353,691	385,827
	Pensions	23,894	26,138
	Other social security costs	5,446	6,071
	Other staff costs	11,751	13,211
	Staff costs transferred to non-current assets	-1,687	-3,111
		393,095	428,136
	Average number of full-time employees	948	1,053

For 2019, remuneration to the Executive Board amounted to DKK 9,516 thousand, including additional remuneration in the transition period of Executive board members amounting to DKK 6,577 thousand. For 2020, remuneration to the Executive Board is not disclosed by reference to section 98b(3), (ii), of the Danish Financial Statements Act.

		2020	2019
6	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment		
	Amortisation of intangible assets	16,881	18,831
	Depreciation of property, plant and equipment	60,495	78,326
	Impairment of property, plant and equipment	5,500	0
		82,876	97,157

7 Other operating expenses

Other operating expenses include group contribution, totalling DKK 69,832 thousand (2019: DKK 61,839 thousand), and losses on rental contract when vacating and on the sale of property, plant and equipment, including other operating equipment, totalling DKK 3,247 thousand (2019: DKK 11,912 thousand).

		2020	2019
8	Financial income		
	Interest receivable, group entities	22	0
	Other financial income	11,645	57
		11,667	57
9	Financial expenses		
	Interest expenses, group entities	8,991	6,816
	Other financial expenses	5,977	10,471
		14,968	17,287
10	Tax for the year		
	Estimated tax charge for the year	-2,800	-3,299
	Deferred tax adjustments in the year	0	-8,428
		-2,800	-11,727

Financial statements 1 January - 31 December

Notes to the financial statements

11 Intangible assets

DKK'000	Completed development projects	Acquired intangible assets	Goodwill	Total
Cost at 1 January 2020	37,540	7,221	75,222	119,983
Additions in the year	12,507	0	0	12,507
Cost at 31 December 2020	50,047	7,221	75,222	132,490
Impairment losses and amortisation at 1 January 2020	21,757	5,567	25,208	52,532
Amortisation/depreciation in the year	8,983	921	6,977	16,881
Impairment losses and amortisation at 31 December 2020	30,740	6,488	32,185	69,413
Carrying amount at 31 December 2020	19,307	733	43,037	63,077
Amortised over	5 years	5-10 years	10 years	

Completed development projects include the Company's software system with a carrying amount of DKK 19,307 thousand. Management has not identified any evidence of impairment relative to the carrying amount of the system.

12 Property, plant and equipment

DKK'000	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
Cost at 1 January 2020	214,679	121,032	355,223	223	691,157
Additions in the year	5,131	9,642	26,706	0	41,479
Disposals in the year	-14,095	-732	-20,639	0	-35,466
Cost at 31 December 2020	205,715	129,942	361,290	223	697,170
Impairment losses and depreciation at 1 January 2020	94,380	81,321	163,150	0	338,851
Impairment losses in the year	0	0	5,500	0	5,500
Amortisation/depreciation in the year	12,796	14,985	32,714	0	60,495
Reversal of amortisation/depreciation and impairment of disposals	-13,658	-617	-20,379	0	-34,654
Impairment losses and depreciation at 31 December 2020	93,518	95,689	180,985	0	370,192
Carrying amount at 31 December 2020	112,197	34,253	180,305	223	326,978
Property, plant and equipment include finance leases with a carrying amount totalling	3,222	145	0	0	3,367
Depreciated over	5-15 years	3-5 years	10 years		

Financial statements 1 January - 31 December

Notes to the financial statements

13 Investments

DKK'000	Other receivables
Cost at 1 January 2020	8,236
Additions in the year	166
Disposals in the year	-177
Cost at 31 December 2020	8,225
Carrying amount at 31 December 2020	8,225

Other receivables mainly consist of leasehold deposits.

14 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including rent, DKK 1,476 thousand (2019: DKK 7,108 thousand).

DKK'000	2020	2019

15 Share capital

Analysis of the share capital:

	2020	2019
1,040,577 shares of DKK 1.00 nominal value each	1,041	1,000
	1,041	1,000

Analysis of changes in the share capital over the past 5 years:

DKK'000	2020	2019	2018	2017	2016
Opening balance	1,000	1,000	1,000	1,000	1,000
Capital increase	41	0	0	0	0
	1,041	1,000	1,000	1,000	1,000

DKK'000	2020	2019

16 Deferred tax

	2020	2019
Deferred tax at 1 January	0	8,428
Other deferred tax	0	-8,428
Deferred tax at 31 December	0	0

Financial statements 1 January - 31 December

Notes to the financial statements

17 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2020	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Lease liabilities	2,077	2,077	0	0
Other payables	50,454	3,884	46,570	41,268
	52,531	5,961	46,570	41,268

Together with the group entities, Danish Bake A/S and Danish Bake Group ApS, the Company had credit facilities of DKK 550 million as of 31 December 2020. Only Danish Bake A/S has debt to credit institutions in relation to this credit facility. The debt to the credit institutions totalled DKK 323 million, including bank guarantees at 31 December 2020. The agreement expires in December 2023. The agreement includes covenants.

18 Provisions

Other provisions comprise provisions for refurbishment obligations, totalling DKK 18,865 thousand, and provisions for losses on rental contract when vacating, totalling DKK 6,500 thousand.

Provision covering refurbishment obligations is viewed per market and the individual lease contracts. Any estimates are based on quotes for the different types of leases or previous terminations, where applicable.

19 Contractual obligations and contingencies, etc.

Other contingent liabilities

DKK'000	2020	2019
Other contingent liabilities	15,442	17,023
	15,442	17,023

Other contingent liabilities include bank guarantees in relation to leaseholds.

The Company has provided a guarantee of DKK 275 million to the credit institutions for the parent company Danish Bake A/S.

The Company is jointly taxed with its parent, Danish Bake Holding ApS, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2020	2019
Rent and lease liabilities	209,188	242,661

Rental and lease commitments are in all material respects rent commitments and reflect the rent during the non-cancellable period. DKK 62,675 thousand (2019: DKK 62,644 thousand) falls due within one year.

Financial statements 1 January - 31 December

Notes to the financial statements

20 Contingent assets

The Company has deferred tax assests, which mainly consist of tax loss carry-forwards. The nominal value thereof totals DKK 52,944 thousand. DKK 0 thousand of the amount has been recognised in the balance sheet due to the uncertainty as to the utilisation of the tax losses.

21 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2020.

22 Related parties

Lagkagehuset A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Direct parent company Danish Bake A/S	Copenhagen, Denmark	Participating interest
Ultimate parent company Cidron Garonne Limited	Heller Jersey, Jersey	Participating interest

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Danish Bake Holding ApS	Copenhagen, Denmark	Requisitioning at the company's address

Related party transactions

Lagkagehuset A/S was engaged in the below related party transactions:

DKK'000	2020	2019
Financial income	22	0
Financial expenses	-8,991	-6,816
Management fee	-9,111	-8,386
Group contribution	-69,832	-61,839
Capital increase	200,003	0
Capital contribution	267,109	0

Information on receivables from group entities and payables to group entities is disclosed in the balance sheet of the annual report.

Information on the remuneration to management

Information on the remuneration to Management appears from note 5, "Staff costs".

23 Fee to the auditors appointed by the Company in general meeting

With reference to section 96(3) of the Danish Financial Statements Act, audit fees are not disclosed. The fee is specified in the consolidated financial statements of Danish Bake Holding ApS.

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2020	2019
24 Appropriation of profit/loss		
Recommended appropriation of profit/loss		
Other statutory reserves	2,749	-1,060
Retained earnings/accumulated loss	-174,050	-117,689
	-171,301	-118,749