

# McDonald's Danmark ApS

CVR no. 24 21 40 87

## Annual report 2014

Approved at the Company's annual general meeting on 22 May 2015

Chairman:

  
Tina Gath

## Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditors' report	3
Management's review	5
Company details	5
Financial highlights	6
The Company's business review	7
Financial statements for the period 1 January – 31 December	10
Income statement	10
Balance sheet	11
Statement of changes in equity	13
Cash flow statement	14
Notes to the financial statements	15

## Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of McDonald's Danmark ApS for the financial year 1 January – 31 December 2014.

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

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2014 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2014.

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.

Frederiksberg, 22 May 2015  
Executive Board:



Joachim Bernhard Knudsen

Board of Directors:

Stephen Kevin Shillington

Malcolm Wayne Hicks



Joachim Bernhard Knudsen

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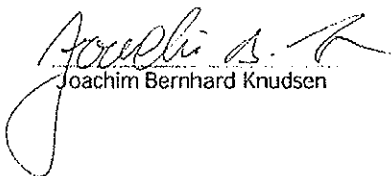
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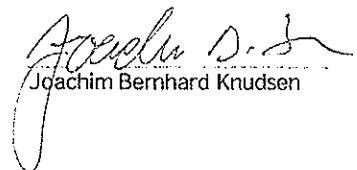
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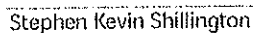
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Frederiksberg, 22 May 2015  
Executive Board:

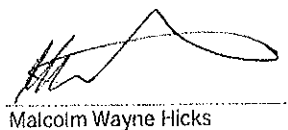


Joachim Bernhard Knudsen

Board of Directors:



Stephen Kevin Shillington



Malcolm Wayne Hicks



Joachim Bernhard Knudsen

## Independent auditors' report

To the shareholders of McDonald's Danmark ApS

### Independent auditors' report on the financial statements

We have audited the financial statements of McDonald's Danmark ApS for the financial year 1 January – 31 December 2014, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

### *Management's responsibility for the financial statements*

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

### *Auditors' responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

Our audit has not resulted in any qualification.

### *Opinion*

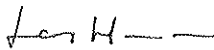
In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2014 and of the results of its operations and cash flows for the financial year 1 January – 31 December 2014 in accordance with the Danish Financial Statements Act.

## Independent auditors' report

### Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 22 May 2015  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab



Lars Hansen  
State Authorised Public Accountant

## Management's review

### Company details

Name	McDonald's Danmark ApS
Address, zip code, city	Falkoner Alle 20, 2000 Frederiksberg
CVR no.	24 21 40 87
Financial year	1 January - 31 December
Website	<a href="http://www.mcdonalds.dk">www.mcdonalds.dk</a>
Telephone	+45 33 26 60 00
Board of Directors	Stephen Kevin Shillington Malcolm Wayne Hicks Joachim Bernhard Knudsen
Executive Board	Joachim Bernhard Knudsen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, 2000 Frederiksberg
Bankers	Nordea Bank Danmark A/S Bank Mendes Gans N.V.



## Management's review

### Financial highlights

DKK'000	2014	2013	2012	2011	2010
<b>Key figures</b>					
Revenue	507,997	511,726	465,140	344,407	320,440
Operating profit	112,892	105,332	108,052	91,870	92,745
Net financials	-226	-57	-19	263	18
Profit for the year	85,608	85,405	81,244	68,965	71,139
<b>Balance sheet total</b>					
Investments in property, plant and equipment	58,077	128,938	117,051	74,513	40,788
Equity	788,282	702,674	674,771	593,527	619,562
<b>Financial ratios in %</b>					
Return on assets	13.5	12.7	14.0	12.7	13.3
Equity ratio	86.1	83.1	83.1	81.4	86.4
Return on equity	10.9	12.4	12.8	11.4	11.8
<b>Average number of full-time employees</b>					
	481	436	411	268	262

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2010". For terms and definitions, please see the accounting policies.

## Management's review

### The Company's business review

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

By the end of 2014 McDonald's had 87 restaurants in Denmark, where 16 of the restaurants were operated by the company (2013: 17) and the remaining 71 restaurants (2013: 72) were operated by 20 (2013: 23) independent franchisees on contract for the operation of the individual restaurants for a period of up to 20 years. The total number of McDonald's restaurants has decreased by 1 during 2014 compared to previous year end.

### Financial review

The company realized a revenue decrease of 0.7% compared to the previous year (2013: +10.0%). The decrease can be explained by the decrease in company operated restaurants during 2014 compared to 2013. The revenue from company operated restaurants decreased 2.7% in 2014 and the revenues from franchise operated restaurants increased by 3.2%.

Operating income for the year increased by TDKK 7,579 to 112,911 (2013: 105,332) which corresponds to an increase of 11.2%. The increase in operating income can primarily be explained by the sale of real estate from which the company gained a total income of TDKK 15,572 under Net other operating expenses/income. In comparison, this account yielded only TDKK 201 in 2013. The increase in income from sale of assets was partly offset by an increase in staff expenses of TDKK 4,576 relative to 2013.

The result of the year increased by TDKK 5,844 to a total of TDKK 86,060 (2013: 85,400), which corresponds to an increase of 0.8%. The increase is a result of the sale of real estate, which is, relative to last year, offset by the company's decision in 2013 to include the effect from the decrease in the corporate tax rate to 22% when calculating accrual for deferred tax.

The management of the company finds the result of the year satisfying under the current market and competition conditions.

During 2014 the McDonald's restaurants in Denmark increased system wide sale\* by 1.6% (2013: 4.0%).

In close collaboration and in dialogue with the company's 20 independent franchisees, 2014 has been characterized by a wide range of initiatives to further improve both employee satisfaction and customer experience in the restaurants.

Previous years' expansion with new restaurants continued in 2014 with the opening of new restaurant. In addition, two restaurants were closed. The company anticipates to open three new restaurants in 2015.

\*= system wide sales reflect the accumulated turnover in all McDonald's restaurants in Denmark. The figure partly encompasses turnover in the restaurants run by the company, which is included in this annual report, and partly the turnover in the franchise restaurants, from which the company receives rent which is included as part of the result in the annual report.

### Social responsibility

It is important to McDonald's to be a socially responsible company. We believe in being involved in the community in which we operate. We strive to engage in frank and honest dialogue with our guests and our employees, as well as our local community in regards to who we are and how our business is run. Therefore, we always act in accordance with our seven values:

## Management's review

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

McDonald's Denmark is involved in numerous projects and initiatives regarding environmental issues, civic engagement, and certain employee initiatives including education.

A number of key initiatives and activities, in which McDonald's is involved, are outlined below.

### *Ronald McDonald Børnefond*

Ronald McDonald Børnefond was founded by McDonald's Denmark in 1991. The purpose of the foundation is to aide children by supporting charitable, educational, and scientific initiatives aimed at helping children.

The fund has established Denmark's first Ronald McDonald House in 2002. At the McDonald's house, families with critically ill children are able to stay close by, whilst the child is hospitalized in Rigshospitalet. The primary purpose of the foundation is to assist with the establishment and the daily operation of one or more Ronald McDonald Houses. The secondary purpose is to support other projects or programs aimed at helping children with physical, psychological, or social problems stemming from serious illness. Finally, Ronald McDonald Børnefond supports research that enhances the existing knowledge of illnesses that affect children.

McDonald's Denmark supports Ronald McDonald Børnefond with administrative tasks and the collection of donations in the McDonald's restaurants.

### *Nøglehul (healthy alternatives) on the menu*

In 2014 McDonald's Denmark was certified to sell products labeled with the Nøglehul. In this respect, healthy options were introduced to the menu. These included oatmeal, chicken wraps, and a chicken breast burger served in a whole grain bun all labeled with the Nøglehul. When our guests order menus marked with the Nøglehul the soft drink and fries are replaced with water and carrots. Products labeled with the Nøglehul offer a healthy alternative and are characterized by containing more whole grain, less sugar, salt, and fat.

### *Keep Denmark Clean – Road campaign 2014*

McDonald's uses paper and other materials in which we wrap our food. We constantly work on optimizing our use of materials for wrapping to the best benefit of the environment. Unfortunately, sometimes our wrappings are left in the streets outside our restaurants when our guests have finished their meal. Consequently, McDonald's has put up many bins in and outside our restaurants across the country. We have initiated a "One Block Policy", entailing that our employees collect and discard wrappings found in the immediate area.

McDonald's Denmark would like to draw the attention to the problem of rubbish in our streets and help change the behavior of our guests. Therefore, McDonald's holds a seat on the board of "Hold Danmark Rent", an organization that works towards changing the attitude of the Danish population in this respect. "Hold Danmark Rent" regularly carries out campaigns, and in 2014 McDonald's participated in the Road Campaign 2014, "Be a Buddy", where we, among other things, handed out postcards in the Drive-through containing the message of giving a buddy, who uses the bin, a coffee or an ice cream at McDonald's for free.

## Management's review

### *Employee initiatives*

At McDonald's everyone is welcome – also when it comes to working at McDonald's.

McDonald's has a diverse workforce which is shown by our different nationalities, religious different beliefs, and our age span. Diversity is an integral part of our success. It is common sense and good business for McDonald's to work with diversity.

McDonald's closely collaborates with KLAP (Creative long term work planning), High:Five, and other organizations.

KLAP is part of the aid organization LEV, which has great success in helping people with intellectual disabilities and other cognitive difficulties acquiring sheltered jobs on the ordinary job market. Throughout the years McDonald's has hired more than 30 citizens through KLAP.

High:Five helps young people who are on the brink of the law with entering or returning to the Danish job market. The collaboration with High:Five dates back to 2006. Since then McDonald's has had many interns and full time employees through High:Five.

At McDonald's we are diverse not because we strive to be politically correct, but because we believe that people with different backgrounds and opinions contribute with different competencies making the whole greater than the sum of its parts. Diversity management means that all restaurants make an active effort to ensure a diverse composition of employees that reflects the demographic composition of our society.

Furthermore, a diverse intake of employees helps show our guests that everyone is welcome at McDonald's. Our continued focus on diversity is a benefit to our other employees as they are proud to have an inclusive workplace, which in turn fosters great job satisfaction, commitment, and unity.

For further information on the CSR and social responsibility please visit our website  
[http://www.mcdonalds.dk/dk/Om\\_McDonalds/Ansvarlighed.html](http://www.mcdonalds.dk/dk/Om_McDonalds/Ansvarlighed.html)

### Account of the gender composition of management

During 2014 the female board member was replaced with a man, so the board of directors now consists of three men. We aim to elect the best candidates, but at the same time we try to attract qualified women. An equal split in gender is expected to be obtained by the end of 2018.

At the remaining management levels in the company, the ratio of managers is 50 % female and 50 % male. The gender diversity is considered to be equal. For the future an equal split in gender is expected to be continued.

### Post balance sheet events

It is the management's opinion that the annual report includes all significant information for evaluating the company's performance. No material subsequent events have occurred after year end.

### Outlook

In 2015 the company expects an increase in the system wide sales and operating income.

## Financial statements for the period 1 January – 31 December

### Income statement

Note	DKK'000	2014	2013
2	Revenue	507,997	511,726
	Raw materials and consumables	134,783	140,309
3	Other operating income	12,172	201
	Other external expenses	78,404	76,800
	Gross margin	306,982	294,818
4	Staff costs	149,479	144,903
	Amortization/depreciation and impairment of intangible assets and property, plant and equipment	44,611	44,583
	Operating profit	112,892	105,332
	loss from investments in associates	-233	-174
	Financial income	55	55
	Financial expenses	281	112
	Pre-tax profit	112,443	105,101
5	Tax for the year	26,825	19,696
	Profit for the year	85,608	85,405
	Recommended profit appropriation		
	Extraordinary dividend distributed during the year	0	57,500
	Proposed dividends	83,000	0
	Net revaluation reserve according to the equity method	-233	-174
	Retained earnings	2,841	28,079
		85,608	85,405

## Financial statements for the period 1 January – 31 December

### Balance sheet

Note	DKK'000	2014	2013
	ASSETS		
	Non-current assets		
6	Intangible assets		
	Acquired intangible assets	5,501	7,782
	Goodwill	34,151	39,330
		39,652	47,112
7	Property, plant and equipment		
	Land and buildings	605,072	589,144
	Leasehold improvements	56,437	54,567
	Other fixtures and fittings, tools and equipment	71,355	92,229
	Property, plant and equipment under construction	7,107	1,429
		739,971	737,369
	Investments		
	Other securities and investments	195	205
8	Investments in associates, net asset value	444	677
	Other receivables	7,356	7,350
		7,995	8,232
	Total non-current assets	787,618	792,713
	Current assets		
	Inventories		
	Raw materials and consumables	3,789	3,686
		3,789	3,686
	Receivables		
	Trade receivables	30,407	29,738
	Trade receivables from group entities	2,397	109
	Income taxes receivable	54	797
	Prepayments and deferred charges	4,120	4,061
	Other receivables	4,861	4,509
		41,839	39,214
	Cash at bank and in hand	82,624	9,664
	Total current assets	128,252	52,564
	TOTAL ASSETS	915,870	845,277

## Financial statements for the period 1 January – 31 December

### Balance sheet

Note	DKK'000	2014	2013
	<b>EQUITY AND LIABILITIES</b>		
	Equity		
9	Share capital	507,817	507,817
	Net valuation reserve according to the equity method	-803	-570
	Proposed dividends	83,000	0
	Retained earnings	198,268	195,427
	<b>Total equity</b>	<b>788,282</b>	<b>702,674</b>
	Provisions		
	Deferred tax	48,837	45,629
10	<b>Total provisions</b>	<b>48,837</b>	<b>45,629</b>
	Liabilities other than provisions		
	Non-current liabilities other than provisions		
	Other payables	7,723	7,808
		<b>7,723</b>	<b>7,808</b>
	Current liabilities other than provisions		
	Bank debt	0	17,034
	Trade payables	16,269	24,560
	Payables to group entities	8,773	9,609
	Deferred income	9,052	14,081
	Other payables	36,934	23,882
		<b>71,028</b>	<b>89,166</b>
	<b>Total liabilities other than provisions</b>	<b>78,751</b>	<b>96,974</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>915,870</b>	<b>845,277</b>

## Financial statements for the period 1 January – 31 December

### Statement of changes in equity

DKK'000	Share capital	Reserve for net revaluation acc. to the equity method	Retained earnings	Proposed dividends	Total
Equity at 1 January 2014	507,817	-570	195,427		702,674
Transfer from result for the year		-233	2,841		2,665
Proposed dividends				83,000	83,000
Equity at 31 December 2014	507,817	-803	198,268	83,000	788,282



## Financial statements for the period 1 January – 31 December

### Cash flow statement

Note	DKK'000	2014	2013
	Operating profit	85,605	85,405
14	Adjustments	31,956	41,357
15	Change in working capital	-3,920	7,361
	Cash flows from operating activities	113,644	134,123
	Additions of property, plant and equipment	-58,077	-128,938
	Disposals of property, plant and equipment	34,190	14,132
	Other cash flows from investing activities	237	-446
	Cash flows from investing activities	-23,650	-115,252
	Dividends paid	0	-57,500
	Cash flows from financing activities	0	-57,500
	Net cash flows from operating, investing and financing activities	89,994	-38,629
16	Cash and cash equivalents at 1 January	-7,370	31,259
	Net cash flow	89,994	-38,629
	Cash and cash equivalents at 31 December	82,624	-7,370

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of McDonald's Danmark ApS for 2014 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Reporting currency

The financial statements are presented in Danish kroner.

#### Currency translation

Transactions denominated in foreign currencies are translated into Danish kroner at the exchange rate at the date of the transaction.

Receivables, payables and other monetary items denominated in foreign currencies are translated into Danish kroner at the exchange rate at the balance sheet date. Realized and unrealized exchange gains and losses are recognized in the income statement as financial income/expenses.

### Income statement

#### Revenue

Rent and lease income from franchise restaurants represent invoiced income. In addition, net turnover from the company's own restaurants has been recognized as income.

Sales by company owned restaurants are recognized on a cash basis while sales from franchised restaurants, based on a percent of sales with a minimum of rent payments, are recognized in the period they are earned.

Revenue is measured net of all types of discounts/-rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

#### Other operating income

Other operating income and operating expenses comprise items of a secondary nature relative to the entity's core activities, including gains or losses on the sale of fixed assets.

#### Raw materials and consumables, etc.

Raw materials and consumables include expenses relating to raw materials and consumables used in generating the year's revenue.

#### Other external expenses

Other external expenses include the year's expenses relating to the entity'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 pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Amortization/depreciation and impairment of intangible assets and property, plant and equipment

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

Goodwill is amortized over the expected economic life, measured by reference to an assessment of, among other factors, the nature, earnings and market position of the acquired entity as well as the stability of the industry and the dependence on key staff.

The cost for acquired IP rights is amortized over the expected useful life. Acquired IP rights include patents, rights and licenses. Since the period of depreciation is based on the assets expected useful life, no salvage value has been taken into account.

The estimated useful lives for intangible assets are as follows:

	Useful life (years)
Acquired IP rights	10-20
Goodwill	5-20

The company depreciates goodwill associated with its own restaurants over a period of 5-20 years. The period of depreciation exceeds 5 years on the basis of management regarding assets as being strategic investments and management's concrete expectations for future cash flow.

Property, plant and equipment are depreciated on a straight line basis over the expected useful life of each individual asset. The depreciation basis is the cost.

The expected useful lives of the assets are as follows:

	Useful life (years)
Buildings	10-40
Leasehold improvements	5-40
Other fixtures and fittings, tools and equipment	3-20

##### Income from investments in associates

The item includes the entity's proportionate share of the profit/loss for the year in associates after elimination of intra group income or losses and net of amortization and impairment of goodwill and other excess values at the time of acquisition.

##### Financial income and expenses

Financial income and expenses are recognized in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance payment of tax scheme, etc.

##### 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 recognized in the income statement, whereas the portion that relates to transactions taken to equity is recognized in equity.

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Balance sheet

##### Intangible assets

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

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

Other intangible assets are measured at cost less accumulated amortization 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.

##### Investments in associates

Investments in associates are measured, using the equity method, at the parent's proportionate share of such entities' equity plus goodwill on consolidation and intra-group losses and less intra group gains and negative goodwill, if any. Investments in entities whose net asset value is negative are measured at DKK 0. The entity's proportionate share of a deficit on equity, if any, is set off against receivables from the investment in so far as the deficit is irrecoverable. Amounts in excess thereof are recognized under 'Provisions' in so far as the parent has a legal or constructive obligation to cover the deficit.

Newly acquired and sold investments are recognized in the financial statements from the time of acquisition or until the time of sale, respectively.

The purchase method of accounting is applied to corporate takeovers as described under 'Business combinations'.

##### Other securities and investments

Securities intended to be held to maturity are measured at amortized cost, using the effective interest rate method at the date of acquisition. Value adjustments are recognized in the income statement under 'Net financials'.

Other securities and investments are measured at fair value. The fair value is made up at the market value at the balance sheet date if the securities are listed and at a value made up using generally recognized valuation principles if the securities are unlisted.

##### Impairment of fixed assets

Every year, intangible assets and property, plant and equipment as well as investments in subsidiaries and associates are reviewed for impairment. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount. Where an impairment loss is recognized on a group of assets, a loss must first be allocated to goodwill and then to the other assets on a pro rata basis.

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Inventories

Inventories are measured at the lower of cost, measured by reference to the FIFO method, and net realizable value.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs as well as other costs directly attributable to the acquisition.

##### Receivables

Receivables are measured at amortized cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Provisions are made to the lower of the net realizable value and the carrying amount.

##### Prepayments

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

##### Cash and cash equivalents

Cash comprises cash balances and bank balances.

##### Income tax

Current tax payables and receivables are recognized in the balance sheet as the estimated tax charge in respect of the taxable income for the year, adjusted for tax on prior years' taxable income and tax paid on account.

Provisions for deferred tax are calculated, based on the liability method, of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income, as well as temporary differences on non-amortizable goodwill.

Deferred tax is measured according to the taxation rules and taxation rates in the respective countries applicable at the balance sheet date when the deferred tax is expected to crystallize as current tax. Deferred tax assets are recognized at the value at which they are expected to be utilized, either through elimination against tax on future earnings or through a set off against deferred tax liabilities within the same jurisdiction.

##### Liabilities

Financial liabilities are recognized on the raising of the loan at the proceeds received net of transaction costs incurred. Interest bearing debt is subsequently measured at amortized cost, using the effective interest rate method. Borrowing costs, including capital losses, are recognized as financing costs in the income statement over the term of the loan.

Other liabilities are measured at net realizable value.

##### Lease liabilities

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

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Deferred income

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

##### Cash flow statement

The cash flow statement shows the entity's net cash flows, broken down by operating, investing and financing activities, the year's changes in cash and cash equivalents and the entity's cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are presented using the indirect method and are made up as the profit or loss for the year, adjusted for non-cash operating items, changes in working capital, paid net financials and paid income taxes.

Cash flows from investing activities comprise payments in connection with purchase and sale of fixed assets, securities which are part of investment activities and payments in connection with purchase and sale of businesses and activities.

Cash flows from financing activities comprise dividends paid to shareholders, capital increases and reductions, borrowings and repayments of interest bearing debt.

Cash and cash equivalents comprise cash and short term securities in respect of which the risk of changes in value is insignificant.

##### Segment information

Segment information is given for revenue broken down by business segment and geographical segment. The segmentation is in accordance with the entity's internal financial management.

##### Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios 'Recommendations and Financial Ratios 2010', cf. below:

##### *Definition of financial ratios*

Return on assets	$\frac{\text{Profit/loss from ordinary operating activities} \times 100}{\text{Average assets}}$
Equity ratio	$\frac{\text{Closing equity} \times 100}{\text{Equity \& liabilities at year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

DKK '000	2014	2013
2 Revenue		
<i>Business segmentation of revenue:</i>		
Sales by company-operated restaurants	332,194	341,313
Revenues from franchised restaurants	175,803	170,413
	<u>507,997</u>	<u>511,726</u>
3 Other operating expenses		
The item includes net gain/loss on sale of restaurants, buildings, fixtures and fittings.		
4 Staff costs		
Wages and salaries	136,734	133,076
Pensions	9,488	7,790
Other social security costs	3,257	4,037
	<u>149,479</u>	<u>144,903</u>
Average number of full-time employees	<u>481</u>	<u>436</u>
Management remuneration	<u>3,011</u>	<u>-</u>
Remuneration paid to Management in 2013 has been excluded from the financial statements with reference to section 98b, 3 of the Danish Financial Statements Act.		
5 Tax for the year		
Estimated tax charge for the year	23,681	22,329
Deferred tax adjustments in the year	3,128	3,549
Tax adjustments, prior years	16	40
Change in tax rate	0	-6,222
	<u>26,825</u>	<u>19,696</u>

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 6 Intangible assets

DKK'000	Acquired intangible assets	Goodwill	Total
Cost at 1 January 2014	10,954	77,252	88,206
Additions	0	0	0
Disposals	-2,676	-16,165	-18,841
Cost at 31 December 2014	8,278	61,087	69,364
Impairment losses and amortization at 1 January 2014	3,172	37,923	41,094
Amortization	867	2,282	3,149
Impairment losses and amortization, disposals	-1,262	-13,269	-14,531
Impairment losses and amortization at 31 December 2014	2,777	26,936	29,713
Carrying amount at 31 December 2014	5,501	34,151	39,652

#### 7 Property, plant and equipment

DKK'000	Land and buildings	Leasehold improve- ments	Fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total tangible
Cost at 1 January 2014	891,431	116,211	127,713	1,429	1,136,784
Additions	38,536	6,808	5,517	7,216	58,077
Transferred	973	194	-190	-977	0
Disposals	-9,825	-2,503	-15,735	561	-28,624
Cost at 31 December 2014	921,115	120,710	117,305	7,107	1,166,237
Impairment losses and deprecia- tion at 1 January 2014	302,287	61,644	35,484	0	399,415
Depreciation	20,055	4,128	17,279	0	41,462
Impairment losses	-244	252	-8	0	0
Impairment losses and depreciation, disposals	-6,055	-1,751	-6,805	0	-14,611
Impairment losses and deprecia- tion at 31 December 2014	316,043	64,273	45,950	0	426,266
Carrying amount at 31 December 2014	605,072	56,437	71,355	7,107	739,971



## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

	DKK'000	Investments in associates
8	Investments	
	Cost at 1 January 2014	1,247
	Cost at 31 December 2014	1,247
	Impairment losses at 1 January 2014	-570
	Share of the profit for the year	-233
	Impairment losses at 31 December 2014	-803
	Carrying amount at 31 December 2014	444

DKK'000	Legal form	Domicile	Interest (%)
I/S Fællesskiltning (Københavns Kommune)	I/S	Copenhagen	41.5

	DKK'000	2014	2013
9	Share capital		
	1,015,634 shares of DKK 500 each	507,817	507,817

The company's share capital has remained DKK 507,817 thousand over the past five years.

#### 10 Provisions

The provision for deferred tax primarily relates to timing differences in respect of intangible assets and property, plant and equipment.

#### 11 Contingent liabilities and other financial obligations

The company has joint and several liability with the co-owners of I/S Fællesskiltning for the partnership's obligations. The total statement of financial position in I/S Fællesskiltning amounts to DKK 1.1 million at 31 December 2014.

Other guarantees regarding payment of rent amount to DKK 7.5 million.

DKK'000	2014	2013
Other financial obligations		
Rent and lease liabilities	127,303	132,000

## Financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 12 Related parties

##### *Information about related parties with a controlling interest:*

Related party	Domicile	Basis for control
Parent McDonald's Europe Ltd.	London, Great Britain	Participating interest

##### *Information about consolidated financial statements:*

Parent	Domicile	Requisitioning of the parent's consolidated financial statements
McDonald's Corporation Inc.	Chicago, USA	<a href="http://www.aboutmcdonalds.com/mcd/investors/annual_reports.html">http://www.aboutmcdonalds.com/mcd/investors/annual_reports.html</a>
McDonald's Europe Ltd.	London, Great Britain	

##### *Related party transactions not carried through on normal market terms:*

There are no related party transactions that have not been carried through on normal market terms.

	DKK'000	2014	2013
13	Fee to the auditors appointed by the company in general meeting		
	Fee for the statutory audit of the financial statements	225	225
	Fee for other services	50	91
		<u>275</u>	<u>316</u>
14	Adjustments – cash flow statement		
	Amortization/depreciation and impairment losses	44,611	44,587
	Gain/loss on the sale of fixed assets	-15,863	-615
	Tax for the year	3,208	-2,615
		<u>31,956</u>	<u>41,357</u>
15	Changes in working capital, cash flow statement		
	Changes in inventories	-103	18
	Changes in receivables	-2,627	16,607
	Changes in trade payables, etc.	-1,190	-9,264
		<u>-3,920</u>	<u>7,361</u>
16	Cash and cash equivalents, cash flow statement		
	Cash and cash equivalents according to the balance sheet	82,624	9,664
	Short-term debt to banks	0	17,034
		<u>82,624</u>	<u>-7,370</u>