

ANNUAL REPORT 2019/20

1 MAY 2019 – 30 APRIL 2020



*The Annual Report was presented and approved
at the Annual General Meeting on 29 December 2020.*

Chairman of the Annual General Meeting

Ivan Vijay Thygesen



Take it easy

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MANAGEMENT'S STATEMENT

The Executive Board and Board of Directors have today considered and adopted the Annual Report for Circle K Danmark A/S for the financial year 1 May 2019 – 30 April 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 at 30 April 2020 of the Company and of the results of the Company operations for the financial year 1 May 2019 – 30 April 2020.

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

Copenhagen, 29 December 2020

Executive Board:

Mette Uglebjerg

Board of Directors:

Hans-Olav Høidahl
(chairman)

Jeremy Knights

Joachim Røberg-Larsen

Tonje Jensen

Michael Sæderup Starcke
(employee representative)

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Circle K Danmark A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 April 2020, and of the results of the Company's operations for the financial year 1 May 2019 – 30 April 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Circle K Danmark A/S for the financial year 1 May 2019 – 30 April 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's 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 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.

Hellerup, 29 December 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Torben Jensen
State Authorised Public Accountant
MNE18651

Rikke Lund-Kühl
State Authorised Public Accountant
MNE33507

INFORMATION ABOUT THE COMPANY

Circle K Danmark A/S
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CVR-no. 28 14 24 12

Board of Directors

Hans-Olav Høidahl (chairman)
Jeremy Knights
Joachim Røberg-Larsen
Tonje Jensen
Michael Sæderup Starcke (employee representative)

Executive Board

Mette Uglebjerg

Parent Company:

Circle K AS, Oslo, Norway, Ownership 100 %

Ultimate Parent Company:

Alimentation Couche-Tard Inc., Montreal, Canada, Ownership 100 %

Associated Companies

Motorvejscenterselskabet af 1990 A/S, Ownership 50 %

Partnerships:

I/S Fællesskiltning, Ownership 58,5 %

Auditors:

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Upon written request addressed to the company, the annual report of Circle K AS will be made available.

The Annual Reports for Alimentation Couche-Tard Inc. can be downloaded on <http://corpo.couche-tard.com/en/investor-relations/annual-quarterly-reports/>

FINANCIAL HIGHLIGHTS

Financial Highlights

<i>Amounts in DKK million</i>	2019/20	2018/19	2017/18	2016/17	2015/16
Revenue	10 820	10 690	9 342	8 425	6 820
Profit before financial income and expenses, etc	204	192	128	(28)	157
Financial income and expenses	(19)	(14)	(19)	(23)	(266)
Profit before tax	185	178	109	(51)	(109)
Tax on the profit for the year	(42)	(31)	(13)	22	(38)
Net profit/loss for the year	143	148	95	(29)	(147)
Total assets	7 839	6 547	5 814	4 500	4 417
Equity	2 477	2 334	2 187	2 091	2 626
Investments in property, plant and equipment	699	186	286	1 322	136
Average number of employees	1 892	1 850	2 137	1 941	1 422

Ratios

	2019/20	2018/19	2017/18	2016/17	2015/16
Profit margin <i>Profit before financial income and expenses, etc in per cent of revenue</i>	2%	2%	1%	0%	2%
Return on assets <i>Profit before financial income and expenses, etc in per cent of total assets</i>	3%	3%	2%	-1%	4%
Return on equity <i>Net profit/loss for the year in per cent of opening equity</i>	6%	6%	5%	-1%	-17%
Solvency ratio <i>Equity in per cent of assets</i>	32%	36%	38%	46%	59%

MANAGEMENT REVIEW

Circle K Danmark A/S

Circle K Danmark A/S is a subsidiary of Circle K AS, which in turn is a wholly-owned indirect subsidiary of Alimentation Couche-Tard Inc. (Couche-Tard). Couche-Tard is the leader in the Canadian convenience store industry. In the United States, it is the largest independent convenience store operator in terms of the number of company-operated stores. In Europe, Couche-Tard is a leader in convenience store and road transportation fuel retail in the Scandinavian countries (Norway, Sweden and Denmark), in the Baltic countries (Estonia, Latvia and Lithuania), as well as in Ireland, and has an important presence in Poland.

As of 26 April 2020, Couche-Tard's network comprised 9,414 convenience stores throughout North America, including 8,221 stores with road transportation fuel dispensing. Its North American network consists of 18 business units, including 14 in the United States covering 48 states and 4 in Canada covering all 10 provinces. Approximately 109,000 people are employed throughout its network and at its service offices in North America.

In Europe, Couche-Tard operates a broad retail network across Scandinavia, Ireland, Poland, the Baltics and Russia through 10 business units. As of 26 April 2020, Couche-Tard's network comprised 2,710 stores, the majority of which offer road transportation fuel and convenience products while the others are unmanned automated fuel stations which only offer road transportation fuel. Couche-Tard also offers other products, including aviation fuel and energy for stationary engines. Including employees at its branded franchise stores, approximately 22,000 people work in its retail network, terminals and service offices across Europe.

In addition, under licensing agreements, more than 2,350 stores are operated under the Circle K banner in 15 other countries and territories (Cambodia, Egypt, Guam, Guatemala, Honduras, Hong Kong, Indonesia, Jamaica, Macau, Mexico, Mongolia, New Zealand, Saudi Arabia, the United Arab Emirates and Vietnam), which brings the total network to more than 14,500 stores.

The Danish network comprise 438 sites under the brands Circle K, INGO and 1-2-3, 226 sites are full-service sites and 212 are automat / truck sites as well as direct sale of fuel products for transport, heating and other industrial purposes.

Our mission is to make our customers' lives a little easier every day. To this end, we strive to meet the demands and needs of people on the go. We offer fast and friendly service, providing food, hot and cold beverages, car wash services, and other high quality products and services including road transportation fuel, designed to meet or exceed our customers' demand in a clean, welcoming and efficient environment. Our business model is our key to success. We are a customer-centric, financially disciplined organization that routinely compares best practices, and uses our global experience to enhance our operational expertise and continually invest in our people and our stores.

Couche-Tard is a Canadian company which shares are listed on the Toronto Stock Exchange (TSE: ATD.A and ATD.B).

Profit for the year

The operating profit of DKK 204.4 million is an improvement of DKK 12.6 million compared to last year where the operating profit amounted to DKK 191.8 million.

Net profit after tax was DKK 143.3 million versus DKK 147.5 million last year.

For the 4th consecutive year, Circle K Denmark achieved to produce record earning results, and doing so despite the Covid-19 pandemic causing the country to lock down in March and April, the last month of fiscal year 2020. Within Fuel, we managed uphold volumes vs fiscal year 2018/19 even though competition, especially within the B2B segment, increased materially during last year.

Our Convenience continued to grow also in fiscal year 2020, albeit not at the rate we experienced in fiscal year 2019. Here it is important to remember the amazing summer we enjoyed in calendar year 2018 which really gave fiscal year 2019 a flying start. Thus, with this in mind we are both pleased and proud of the convenience performance.

Operational efficiency was an area we focussed on last year. We were confident that we operated in a lean and efficient way, however continuous improvement is critical in our business and we wanted to explore whether we could find smarter ways to organise our facility management at both store level and support office. Through this effort, we managed not only to find solutions which reduced our operational expenses but also solutions which reduced complexity.

The eminent achievement last fiscal year was though the effort put in by all our employees in our stores during the first and most severe period to date in the Covid-19 pandemic. In the midst of enormous uncertainty and great concern for the safety of colleagues and customers, our employees in the frontline walked the extra mile every day to give our customers a great and safe customer experience.

The Activities

The Oil Market in Denmark

A significant decrease in gasoline consumption in FY20 (-4,0%) explained by a drop in number of B2C customers during Corona crisis. The Gasoline market pre-corona was slightly increasing (+0,1% on the period May 2019 - February 2020 compare to last year).

The Diesel market is also declining in FY20 (-3,2%) explained partially by the Corona crisis but also by an overall decrease of the Diesel market (-2,0% on the period May 2019 - February 2020 compare to last year).

From the beginning of fiscal year to the end of December, the crude oil prices have fluctuated between usd 60 and usd 70. At the end of the fiscal year, the pandemic has impacted the oil prices due to a lack of demand to land around usd 20 in April 2020.

Retail prices for both diesel and gasoline followed the same pattern as the oil prices and reached the lowest level for several years during April 2020.

For Circle K, fuel is anything but a commodity. Our focus on high quality fuel has gained strong recognition both in Denmark and in most other of our markets. Our premium fuel brand *milesPlus* is the leading premium fuel brand in Denmark because our customers recognise and appreciate the quality it represents. Further, we are investing heavily in making our customers life easier when visiting us to fill up their car. Investing in clear directional signage, having dedicated express lanes for people who wants to get in and out as fast as possible, making payments more friction free with mobile payment are only a few examples of solutions we are implementing to giving our customers a great customer journey as Circle K.

Our store business

The rollout of our new store concept accelerated last year and we entered fiscal year 21 with more than 100 stores operating with our new concept. This new concept with its high focus on fresh quality food served in an appealing environment has contributed to growth within key categories such as hot food, sandwiches, hot beverages and bake-off.

Another important category which contributed well last year was carwash. This is a category which is facing increased competition from both new and existing operators. Even though this is putting pressure on us as a leading provider in this category, it is also increasing the customer awareness and growing the category as a whole. We have in recent years invested materially in our carwash offering, something we are pleased to see that customers are responding well to.

INGO

Fiscal year 2019/20 was yet again a great year for INGO Denmark. Having 155 sites in Denmark and with the current volumen, we are still no 1 in Denmark measured by throughput per site and by that being the most preferred low-price self-service operator in Denmark.

The new INGO Loyalty (Customer loyalty program) has grown to a staggering +180.000 members and the gamification platform is extremely well visited, where 1000 customers every single week win free liters.

A wide number of sites has this year been upgraded, both on the fuel and the Carwash operation, supporting the user-friendly, fast and safe customer experience.

The backbone of our success is still, that we can run and operate the sites in a very effective and low cost way and by that being able to offer the Danish customers with fuel and Carwash to an always low price.

The employees

Employee turnover in our stores has been a high focus area and during the last year we have implemented new and clear guidelines in all our stores for an even better mix of employees covering all stores despite complexity and cluster – main focus and expectation are on the employee groups that work the fewest hours at circle k and have the highest turnover. By having more employees working more hours we are confident to improve the customer meeting in general and increase the skills among our employees in the stores. The situation before we started this new setup we had more than 3200 employees in the stores, 30% working less than 5 hours per week and a total employee turnover rate of 81%. The situation now is that the number of employees has been reduced to 2650, employees working less than 5 hours per week to 12% and total turnover rate of 61% – continuous focus on turnover will continue for the coming years.

Training is a key focus area. As we are continuously developing our food offer, training our employees is key in order to deliver on our promise of Safe Quality Food. This focus continues into fiscal year 2020/21. Retail Academy is also very important, developing new Assistant Store Managers (ASM) & New Store Managers (NSM) internally. For the coming year we expect to educate 60 new ASM & 20 new NSM.

For our employees at the support office we will start a development process up for about 20 talents and high performer called "My Journey".

Diversity & Inclusion for the years to come is also an important priority area. We want to improve diversity and reduce bias in Circle K and to further strengthen this journey both on short and long term we have set some ambitious targets and actions. Main focus is to have an even better balance on gender and age both in the Stores and Support Office especially in our succession pipeline and manager level.

By the end of fiscal year 2019/20, the number of employees was 2,818. The number comprise 168 employees at the headquarter, including 34 employees which is part of the European organization. Furthermore there was 2,650 full- and part-time employees in our stores.

Special risks

Primary operational risks

- The Company's activities include primary storage, transportation and sale of petroleum products. Such activities involve certain risks, especially at terminals and other storage facilities where large quantities of fuel are stored and handled, and at the stores.
- Exposure to the Danish pricing on the sale of petroleum products.

Primary financial risks are similar to earlier

As a result of operating, investing and financing the Company is exposed to changes in exchange rates (primarily U.S. dollars) and in interest rates. Management of these risks is carried out in conjunction with the Group's interbank, including the deployment of the Company's cash reserves.

Foreign Exchange

Foreign exchange risk arises from transactions in currencies other than Danish kroner and by the assets and liabilities related to working capital and monetary items denominated in foreign currencies.

Credit

There are granted substantial credits to our customers, primarily in the form of trade credit. It is a company policy to make an ongoing credit evaluation of our customers. Provisions for bad debts are made where appropriate.

Events after the balance sheet date

The management is not aware of any events after the balance sheet date, which could change the company's financial position.

The Future

In March 2020 the business as we knew it changed overnight when the Danish society more or less closed down over night due to the Covid-19 pandemic. Car traffic plummeted by close to 50% and our store business also faced significant drop in customer traffic. The safety and wellbeing of our employees and a safe customer journey for our customers became our predominant concern and several safety measures were put in place, plexiglass facings and limits on amount of customers in our stores being two examples of immediate actions in order to minimise the exposure to the virus.

Following the re-opening of the society this summer we are now in the midst of a second lock-down. We are keeping our fingers crossed for a vaccine to be distributed in the beginning of 2021 but are preparing the organisation for an extended lock-down.

In fiscal year 2021 a moderate growth in the result before tax is expected.

Statutory statement on Corporate Social Responsibility in accordance with Danish financial statement act section §99A and §99B

For information on strategies, commitments and efforts regarding social responsibility and sustainability please refer to published report available at https://prod-cksites-dk-setup-s3fs.s3.eu-west-1.amazonaws.com/uploads/2020-12/Sustainability%20Report%202019-20.pdf?LbjjZyZrAELd1SUJioNS3d7lx1_RHOnD

ACCOUNTING POLICIES

Basis of Preparation

The Annual Report of Circle K Danmark A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C and adopted IFRS 16.

The Annual Report is presented in Danish kroner (DKK).

Change in accounting policies

The company has implemented IFRS 16 measurement and recognition principles as interpretation for treatment of leases, which was previously treated as operating leases. The standard requires that all leases, regardless of type and with few exceptions, is recognised in the balance sheet as an asset with a related liability.

For the interpretation, the Company has used the modified retrospective approach meaning that comparative information is not restated.

The changes require capitalisation of the majority of the Company's operation lease contracts. This increase assets by TDKK 466.583 and liabilities by TDKK 500.135 as of 30 April 2020. Hence, it will affect the financial ratios related to the balance sheet. The implementation of IFRS 16 has no material effect on the income statement and equity

Recognition and measurement

Revenues is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. Moreover, all expenses and depreciation, amortisation and impairment losses for accounting purposes are recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that the Company has to give up future economic benefits, and the value of the liability can be measured reliably.

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

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of the transaction. Exchange differences arising between the transaction date rates and the rates at the date of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet

date. Any difference between the exchange rate at the balance sheet date and the rate at the date when the item arises is recognised in financial income and expenses in the income statement.

Cash Flow Statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared.

Income Statement

Revenue

Revenue from the sale of oil products, services and sale at the stores is recognised in the income statement at the date of delivery if the income can be measured reliably and is expected to be realised. Revenue is recognised exclusive of VAT and indirect taxes and net of customer discounts relating to sales.

Cost of sales

Cost of sales and production costs comprise costs, incurred to achieve revenue for the year. Moreover, energy costs, freight, services and maintenance costs that do not meet the criteria for recognition as assets in the balance sheet are recognised in cost of sales and production costs.

Administrative expenses

Administrative expenses comprise expenses related to sale, marketing, administration, office premises, office expenses etc.

Staff expenses

Staff expenses include wages and salaries, social security cost, pensions etc.

Other operating income and expenses

Other operating income and expenses comprise items of a secondary nature to the core activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Result from investment in subsidiaries and associates

Circle K Danmark A/S's share of results from subsidiaries are stated in the income statement.

Financial income and expenses

Financial income and expenses comprise interest income and expenses. Realised and unrealised exchange gains and losses relating to receivables, payables and transactions in foreign currencies are shown as a separate item in the income statement. Financial income and expenses are recognised in the income statement at the amounts that relate to the financial year.

Corporation tax and deferred tax

Tax for the year, which consists of current tax for the year, provision for deferred tax and tax relating to previous years, is recognised in the income statement. Tax attributable to entries directly in equity is recognised in equity.

Provision for deferred tax is calculated at 22% on all temporary differences between the values for accounting and tax purposes except for temporary differences arising at the date of acquisition of assets and liabilities and which have no effect on either profit or taxable income. Deferred tax assets are recognised at the value at which they are expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

The enterprises of the Danish part of the Circle K Group are jointly taxed. The Danish corporation tax is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation).

Balance Sheet

Intangible assets

Goodwill

Positive differences (goodwill) between the cost and fair value of acquired assets and liabilities are recognised in intangible assets and amortised over the expected useful life, which is determined based on Management's experience in the business area concerned. The carrying amount of goodwill is assessed on a current basis and is amortised over the income statement if the carrying amount exceeds the expected future net payments from the activity to which the goodwill relates. The assets are amortised on a straight-line basis over the following expected useful lives:

Goodwill	20 years
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The goodwill represents the synergy effect of the brands Circle K and Ingo. We have a large number of sites all over Denmark and the customer is often close to a Circle K or INGO site and therefore the standard useful life of 10 years is assessed not to be sufficient.

Acquired rights

Acquired rights are measured at cost less accumulated amortisation. Investments in distribution contracts relate to underlying fixed assets which are expected to have useful lives of 10–15 years, and amortisation is calculated on a straight-line basis over the expected useful life.

An impairment test is carried out on acquired intangible assets if there is any indication of impairment. The impairment test is made for each individual asset or group of assets. The assets are written down to the higher of the value in use and the net selling price (recoverable amount) of the asset or the group of assets if lower than the carrying amount.

Fixed assets

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses. Land is not depreciated. Depreciation is based on cost reduced by any scrap value after the end of useful life.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. Moreover, estimated future costs are recognised if they qualify for recognition of provisions.

The assets are depreciated on a straight-line basis over the following expected useful life:

Buildings and tanks	20 – 50 years
Plant and machinery	10 – 20 years
Fixtures and fittings, tools and equipment	4 – 10 years

An impairment test is carried out on property, plant and equipment if there is any indication of impairment. The impairment test is made for each individual asset or group of assets. The assets are written down to the higher of the value in use and the net selling price (recoverable amount) of the asset or the group of assets if lower than the carrying amount.

Leases, right-of-use assets

The Company leases land, building and other equipment.

For contracts which are or contain a lease, the Company recognises a right-of-use asset and a lease liability. Contracts may contain both lease and non-lease component. The lease components are recognised in the balance sheet and the non-lease component are recognised as an expense in profit and loss.

The right-of-use asset is initially measures at cost, being the initial amount of the lease liability adjusted for any lease payments made at/or before the commencement date. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease contracts with a lease term of 12 months or less and low value lease assets are not recognised in the balance sheet. Short term leases and low value lease assets are expensed on a straight-line basis over the lease term or another systematic basis

Leases

Leases in terms of which Circle K Danmark A/S in fact assumes or retains substantially all risks and rewards of ownership are assets (finance leases) and are recognised in the balance sheet as property, plant and equipment. The remaining lease obligation is capitalised and

recognised in debt. The interest element on the lease payments is recognised over the lease term in the income statement.

Investments in associates

Income statement

The item Income from investments in associates in the income statement includes the proportionate share of profit after tax of associates.

Balance Sheet

Investments in associates are recognised and measured under the equity method. The item Investments in associates in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

Associates with a negative net asset value are recognised at DKK 0 in the balance sheet. Any receivable from these enterprises is written down by the Parent Company's share of the negative net asset value to the extent it is considered uncollectible. If the negative net asset value exceeds a receivable, the remaining amount is recognised as a provision to the extent that the Parent Company has an obligation to cover the negative equity of the enterprise.

The net revaluation of investments in associates is transferred to the item reserve for net revaluation under the equity method under equity to the extent that the carrying amount exceeds cost less goodwill amortisation. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the associates.

Receivables from group enterprises

Receivables from group enterprises are recognised at nominal value in the balance sheet.

Receivables

Receivables are measured at amortised cost, generally corresponding to nominal value. Provisions for estimated bad debts are made.

Inventories

Inventories are measured at cost under the FIFO method. Where cost is higher than the net realisable value, inventories are written down to the lower net realisable value.

The cost of raw materials and consumables equals landed cost.

The net realisable value of inventories is calculated as the selling price less costs of completion and costs incurred to effect the sale.

Prepayments

Prepayments comprise expenses incurred relating to the subsequent financial year. Prepayments are measured at amortised cost, generally corresponding to nominal value.

Cash at bank and in hand

Cash at bank and in hand comprises cash as well as readily available bank deposits.

Proposed dividend for the year

Dividend is recognised as a liability at the time of adoption at the General Meeting. Dividend expected to be paid for the year is disclosed as a separate equity item.

Other provisions

Provisions are recognised when – in consequence of events occurred – the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include expected demolition costs and costs for the removal of known contamination. Obligations for expected demolition costs are recognised at the net present value of expected future costs and a similar amount is capitalised as part of the asset concerned. Subsequent changes to the net present value due to changes to the discount rate or estimated future costs are added to or deducted from the asset.

Lease liabilities

The lease liabilities is initially measured at the present value of the lease payment claim at the commencement date, discounted using the interest rate implicit in the lease contract. Lease payments consist of the following payments:

- fixed payments from commencement date
- certain variable payments
- residual value guarantees or the exercise price of a purchase option
- termination penalties

If the interest rate implicit in the lease contract cannot be readily determined, the Company's incremental borrowing rate is used.

Debt

Trade payables and payables to group enterprises as well as other debt are measured at amortised costs corresponding to the nominal remaining debt.

Equity

Equity includes the share capital, revaluation reserves and retained earnings including any adjustments relating to previous years as well as any proposed dividend for the year.

INCOME STATEMENT FOR THE PERIOD

1 MAY – 30 APRIL

Amounts in DKK '000

Note	2019/20	2018/19
1	Revenue	10 819 563
	Cost of sales	(8 802 776)
	Gross profit	2 016 787
	Administrative expenses	(738 852)
2	Staff expenses	(789 505)
	Earning before interest, depreciation, amortization, impairment and taxes (EBITDA)	488 430
	Depreciation and impairment of intangible and and property, plant and equipment	(273 646)
12	Loss from investments in associates	(44)
3	Other operating income	607
3	Other operating expenses	(11 058)
	Earning before financial income and expenses, etc	204 289
4	Financial income etc	4 134
5	Financial expenses etc	(22 952)
	Earning before tax	185 471
6	Tax on the profit/loss for the year	(42 271)
7	Net profit/loss for the year	143 200
8	Notes to which no references are made in the Financial Statements	

BALANCE SHEET AT 30 APRIL

Amounts in DKK '000

Note	<u>2020</u>	<u>2019</u>
Assets		
Fixed assets		
9 Intangible assets		
Goodwill	376 717	399 749
Acquired rights	<u>2 206</u>	<u>4 328</u>
	<u>378 923</u>	<u>404 077</u>
10 Property, plant and equipment:		
Land, buildings and tanks	1 209 028	1 232 015
Plant and machinery	304 284	313 269
Other fixtures and fittings, tools and equipment	300 012	309 254
Right-of-use asset	466 583	0
Property, plant and equipment under construction	<u>93 644</u>	<u>87 630</u>
	<u>2 373 551</u>	<u>1 942 168</u>
11 Other financial assets:		
12 Investments in associates	443	487
Receivables from associates	5 108	6 183
Other securities and investments	1 591	1 665
Other receivables	<u>17 385</u>	<u>13 433</u>
	<u>24 527</u>	<u>21 768</u>
Total fixed assets	<u>2 777 001</u>	<u>2 368 013</u>
Current assets		
Inventories:		
Manufactured goods and commodities	<u>204 121</u>	<u>261 859</u>
	<u>204 121</u>	<u>261 859</u>
Receivables:		
6 Deferred tax asset	0	15 333
Trade receivables	1 030 625	1 547 905
Receivables from group enterprises	3 709 356	2 228 750
6 Tax receivables	376	4 218
13 Prepayments	<u>13 467</u>	<u>21 498</u>
	<u>4 753 824</u>	<u>3 817 704</u>
Cash at bank and in hand	<u>104 467</u>	<u>99 709</u>
Total current assets	<u>5 062 412</u>	<u>4 179 272</u>
Total assets	<u>7 839 413</u>	<u>6 547 285</u>

BALANCE SHEET AT 30 APRIL

Amounts in DKK '000

Note		<u>2020</u>	<u>2019</u>
	Equity		
	Share capital	177 000	177 000
	Reserve for revaluation	9 279	9 279
	Retained earnings	2 291 206	2 148 006
		<u>2 477 485</u>	<u>2 334 285</u>
	Provisions		
6	Provision for deferred tax	19 165	0
14	Other provisions	324 870	334 808
		<u>344 035</u>	<u>334 808</u>
15	Long-term debt		
	Lease Liabilities	454 842	0
	Other payables	1 436	41 832
		<u>456 278</u>	<u>41 832</u>
	Short-term debt		
	Trade payables	227 541	306 520
	Payables to group enterprises	3 360 067	2 631 890
	Accrued public indirect taxes	642 583	645 361
	Other payables	331 424	252 589
		<u>4 561 615</u>	<u>3 836 360</u>
	Total debt	<u>5 017 893</u>	<u>3 878 192</u>
	Total liabilities and equity	<u>7 839 413</u>	<u>6 547 285</u>
16	Contingent liabilities and other financial obligations		
17	Related parties		
18	Subsequent events		

STATEMENT OF CHANGES IN EQUITY

Amounts in DKK '000

	<u>2020</u>	<u>2019</u>
Equity		
Share capital		
Balance at 1 May	177 000	177 000
Balance at 30 April	177 000	177 000
Revaluation reserve		
Balance at 1 May	9 279	9 279
Balance at 30 April	9 279	9 279
Retained earnings		
Retained earnings at 1 May	2 148 006	2 000 452
Net result for the year	143 200	147 554
Retained earnings at 30 April	2 291 206	2 148 006
Total equity	2 477 485	2 334 285

In the previous five years, the share capital has been composed as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Shares of DKK 1,000	177 000	177 000	177 000	177 000	178 000
	177 000	177 000	177 000	177 000	178 000

The shares are all held by Circle K AS, Oslo.

NOTES TO THE FINANCIAL STATEMENTS

Amounts in DKK '000

	<u>2019/20</u>	<u>2018/19</u>
1 Revenue		
Sale of oil products in the Danish market	7 924 468	7 766 483
Other sales in the Danish market	2 873 198	2 904 153
Export of oil products	21 897	18 986
	<u>10 819 563</u>	<u>10 689 622</u>
2 Staff expenses		
Wages and salaries	(709 999)	(699 708)
Pensions	(50 581)	(49 188)
Other social security expenses	(7 528)	(3 995)
Other staff expenses	(21 397)	(17 520)
	<u>(789 505)</u>	<u>(770 411)</u>
Average number of employees	<u>1 892</u>	<u>1 850</u>
With reference to section 98 B(3) of the Danish Financial Statements Act, remuneration to Management is not disclosed.		
3 Other operating income and expenses		
Includes various accounting assistance provided to service stations and profit and loss on sale and disposal of real property/business divisions.		
4 Financial income etc		
Financial income from group enterprises	524	4 915
Other financial income	3 610	3 753
	<u>4 134</u>	<u>8 668</u>
5 Financial expenses etc		
Financial expenses to group enterprises	(889)	(733)
Other financial expenses	(22 063)	(21 586)
	<u>(22 952)</u>	<u>(22 319)</u>

NOTES TO THE FINANCIAL STATEMENTS

Amounts in DKK '000

	<u>2019/20</u>	<u>2018/19</u>
6 Corporation tax		
Corporation Tax	(6 835)	(4 359)
Adjustment of deferred tax	(35 417)	(25 757)
<u>Tax on the profit/loss for the year</u>	<u>(42 252)</u>	<u>(30 116)</u>
Adjustment of corporation tax relating to previous years	(938)	(498)
Adjustment of deferred tax relating to previous years	919	0
<u>Adjustment of corporation tax relating to previous years</u>	<u>(19)</u>	<u>(498)</u>
<u>Total tax in the income statement</u>	<u>(42 271)</u>	<u>(30 614)</u>
The deferred tax asset breaks down as follows:		
Property, plant and equipment	(78 412)	(97 008)
Intangible assets	(3 731)	17 457
Leased assets and lease obligations (net)	(1 438)	2 151
Prepayment / deferred income	(2 963)	(4 730)
Obligation relating to provisions	55 668	73 658
Tax loss carry forward	11 711	23 805
<u>Total deferred tax asset</u>	<u>(19 165)</u>	<u>15 333</u>
7 Distribution of net profit/loss for the year		
Which the Board of Directors proposes be distributed as follows:		
Dividend for the year	0	0
Retained earnings	143 200	147 554
<u>Total amount at disposal</u>	<u>143 200</u>	<u>147 554</u>
8 Notes to which no references are made in the Financial Statements		
<u>Audit fees:</u>		
Fee for statutory audit	595	595
Fee for other assurance engagements	183	346
Fee for tax advisory services	62	322
Fee for non-audit services	5	29
	<u>845</u>	<u>1 292</u>

NOTES TO THE FINANCIAL STATEMENTS

Amounts in DKK '000

	<u>Goodwill</u>	<u>Acquired rights</u>	<u>Total</u>
9 Intangible assets			
Cost:			
Balance at 1 May	460 652	9 831	470 483
Additions for the year	0	0	0
Disposals for the year	0	(3 252)	(3 252)
Balance at 30 April	460 652	6 579	467 231
Amortisation and impairment losses:			
Balance at 1 May	60 903	5 503	66 406
Amortisation for the year	23 032	1 343	24 375
Amortisation of assets sold	0	(2 473)	(2 473)
Balance at 30 April	83 935	4 373	88 308
Carrying amount at 30 April	376 717	2 206	378 923

NOTES TO THE FINANCIAL STATEMENTS

Amounts in DKK '000

	Land, buildings and tanks	Plant and machinery	Other fixtures and fittings, tools and equipment	Right-of-use assets	Property, plant and equipment under construction	Total
10 Property, plant and equipment						
Cost:						
Balance at 1 May	2 359 537	970 022	615 096	0	87 630	4 032 285
Additions for the year	27 593	48 651	24 365	512 146	86 446	699 201
Disposals for the year	(78 879)	(40 446)	(33 126)	(5 052)	0	(157 503)
Transfer	22 619	29 418	28 395	0	(80 432)	0
Balance at 30 April	2 330 870	1 007 645	634 730	507 094	93 644	4 573 983
Revaluations:						
Balance at 1 May	5 175	7 455	0	0	0	12 630
Disposals for the year	0	0	0	0	0	0
Balance at 30 April	5 175	7 455	0	0	0	12 630
Depreciation and impairment losses:						
Balance at 1 May	1 132 691	663 004	307 048	0	0	2 102 743
Depreciation for the year	66 874	83 148	59 027	40 511	0	249 560
Depreciation of assets sold	(72 548)	(35 336)	(31 357)	0	0	(139 241)
Balance at 30 April	1 127 017	710 816	334 718	40 511	0	2 213 062
Carrying amount at 30 April	1 209 028	304 284	300 012	466 583	93 644	2 373 551

The carrying amount of land and buildings includes leased assets corresponding to DKK 26 million (2019: DKK 33 million).

NOTES TO THE FINANCIAL STATEMENTS

Amounts in DKK '000

	Investments in associates	Receivables from associates	Other securities and investments	Other receivables	Total
11 Other financial assets					
Cost:					
Balance at 1 May	1 639	13 710	1 952	14 715	32 016
Additions for the year	0	0	0	5 129	5 129
Disposals for the year	0	0	(74)	(364)	(438)
Balance at 30 April	1 639	13 710	1 878	19 480	36 707
Amortisation and impairment losses:					
Balance at 1 May	1 152	7 527	287	1 282	10 248
Amortisation and impairment losses for the year	44	1 075	0	813	1 932
Balance at 30 April	1 196	8 602	287	2 095	12 180
Carrying amount at 30 April (acc to the balance sheet)	443	5 108	1 591	17 385	24 527
			Profit for the year after tax	Net asset value year end	Carrying amount year end
12 Investments in associates comprise shares in the following enterprises:					
Motorvejscenterselskabet af 1990 A/S, Copenhagen (50%)			0	612	306
I/S Fællesskiltning, Nyborg (58,5%)			(44)	236	137
			(44)	848	443
13 Prepayments					

Prepayments comprise prepaid expenses for rent, property taxes and insurance.

NOTES TO THE FINANCIAL STATEMENTS

Amounts in DKK '000

	<u>2020</u>	<u>2019</u>
14 Other provisions		
Decontamination obligations:		
Balance at 1 May	67 159	77 590
Additions for the year	8 515	7 100
Applied in the year	(4 594)	(7 818)
Adjustment for the year	<u>(704)</u>	<u>(9 713)</u>
Balance at 30 April	<u>70 376</u>	<u>67 159</u>
Expected applied within one year	29 682	17 556
Expected applied after one year	<u>40 694</u>	<u>49 603</u>
	<u>70 376</u>	<u>67 159</u>
Demolition obligation:		
Balance at 1 May	267 649	270 210
Additions for the year	15 302	5 968
Applied in the year	0	0
Adjustment for the year	<u>(28 457)</u>	<u>(8 529)</u>
Balance at 30 April	<u>254 494</u>	<u>267 649</u>
Expected applied within one year	3 121	136 888
Expected applied after one year	<u>251 373</u>	<u>130 761</u>
	<u>254 494</u>	<u>267 649</u>
Other obligation:		
Balance at 1 May	0	1 436
Additions for the year	0	191
Applied in the year	0	(710)
Adjustment for the year	<u>0</u>	<u>(917)</u>
Balance at 30 April	<u>0</u>	<u>0</u>
Expected applied within one year	0	0
Expected applied after one year	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>
Total provisions	<u>324 870</u>	<u>334 808</u>

NOTES TO THE FINANCIAL STATEMENTS

Amounts in DKK '000

15 Long-term debt:

	<u>Due</u> <u>1-5 years</u>	<u>Due</u> <u>after 5 years</u>	<u>Total</u>
Other payables	176 344	279 934	456 278
	176 344	279 934	456 278

16 Contingent liabilities and other financial obligations

	<u>2020</u>	<u>2019</u>
Rental and lease obligations	19 421	227 338
	19 421	227 338

Circle K Danmark A/S is liable for the payment of the outstanding debt from time to time to grocery wholesalers for deliveries to stations that are not owned and managed by Circle K Danmark A/S.

Circle K Danmark A/S has issued bank guarantees totalling DKK 8.8 million towards the Company's business partners.

Together with other subsidiaries in the Group, the Company has issued a guarantee totalling DKK 42.308 million for the liabilities of the parent Company.

The enterprises of the Danish part of the Circle K Group are jointly taxed. The Danish jointly taxed companies are included in a Danish on-account tax payment scheme for Danish corporate income tax. All current taxed under the scheme are recorded in the individual companies. Circle K Danmark A/S is the administration company in the joint taxation.

17 Related parties

Controlling interest:	Basis
Circle K AS Schweigaards gate 16 N-0191 Oslo, Norway	Main shareholder/Parent Company (100% ownership)
Alimentation Couche-Tard Inc. 4204 Industriel Blvd. Laval (Quebec) H7L 0E3 Canada	Ultimate parent company

18 Subsequent events

The ongoing restrictive social measures, due to the COVID-19 pandemic, have an impact our financial result in fiscal year 2021, mostly driven by declining traffic.

We have continued to invest in the health and safety of our employees and customers and have successfully gained the trust from our customers and employees. The additional cost were fully offset by initiatives implemented to reduce our controllable expenses. We expect a stabilition when the restriction is over.