

# Clear Channel Danmark A/S

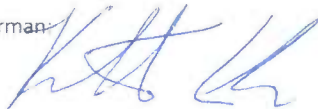
Grønningen 23, 1270 Copenhagen K

CVR no. 13 53 76 07

## Annual report 2015

Adopted at the annual general meeting of shareholders on 31 May 2016

Chairman

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## Company details

Clear Channel Danmark A/S  
Grønningen 23  
1270 Copenhagen K  
[www.clearchannel.dk](http://www.clearchannel.dk)  
Phone: +45 36 44 02 44

### Board of Directors

Rolf Kenneth Ek, chairman  
Anders Mattias Ragnarsson  
Cormac Bernard O'Shea  
Scott Thomas Bick  
Nils Ola Klingenberg

### Executive Board

Dennis Højland Nyegaard

### Parent company

Clear Channel Overseas Ltd., London UK  
Clear Channel Outdoor Holdings Inc, USA (ultimate parent)

### Auditors

Ernst & Young Godkendt Revisionspartnerselskab  
Osvald Helmuths Vej 4, 2000 Frederiksberg, Denmark

### Bankers

Nordea Bank Danmark A/S

## 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 Clear Channel Danmark A/S for the financial year 1 January – 31 December 2015.

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

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2015.

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 the adoption of the annual report at the annual general meeting.


Copenhagen, 27 May 2015

Executive board:



.....  
Dennis Højland Nyegaard

Board of Directors:



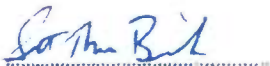
.....  
Rolf Kenneth Ek  
Chairman



.....  
Anders Mattias Ragnarsson



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Cormac Bernard O'Shea



.....  
Scott Thomas Bick



.....  
Nils Ola Klengenborg

## Independent auditor's reports

To the shareholders of Clear Channel Danmark A/S

### Independent auditors' report on the financial statements

We have audited the financial statements of Clear Channel Danmark A/S for the financial year 1 January to 31 December 2015, which comprise an 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. Further, Management is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatements, 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 according to Danish audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of financial statements that give a true and fair view. The purpose is to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by Management as well as 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 audit 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 2015 and of the results of its operations and cash flows for the financial year 1 January to 31 December 2015 in accordance with the Danish Financial Statements Act.

### Statement on the Management's review

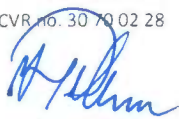
Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial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

Copenhagen 31 May 2016

Ernst & Young

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Henrik Reedtz

State Authorised Public Accountant

## Financial highlights

### 5-year summary:

	2015	2014	2013	2012	2011
Keyfigures (in DKK'000)					
Gross profit	27,838	30,795	22,907	33,769	81,092
Profit/loss before net financials (EBIT)	-43,946	-19,505	-33,911	-42,901	14,726
Net financials	-1.131	-999	-1,200	-624	-324
Profit/loss for the year	-45,077	-20,504	-35,031	-37,356	10,437
Net cash flow for the year	122	-4,257	607	-40,971	31,933
Equity at year end	17,851	5,158	62	20,094	57,450
Total assets	56,254	72,250	83,112	83,359	124,656
Investments in the year	1.730	2,686	7,064	9,765	8,227
Number of employees	62	71	80	93	99
Ratios					
Return on assets	-68.4	-25.1	-40.7	-41.2	11.8
Equity ratio	31.7	7.1	0.1	24.1	46.1
Return on equity	-391.8	-785.6	-347.6	-96.3	18.2

### Definitions of financial ratios:

Return on assets: Profit/loss before net financials / Total assets x 100

Equity ratio: Equity / Total assets x 100

Return on equity: Profit/loss for the year / Equity in the year x 100

## Management´s review

### Business activities and mission

The company carries out nationwide administration and sales of advertising campaigns, urban furniture equipment and related activities.

### Business review

Clear Channel Danmark A/S continued the path of transformation during 2015.

The challenges for Clear Channel Danmark A/S in 2015 were a combination of three factors; a media market in transformation, older contracts not optimized for current market conditions and costs pertaining to ongoing efficiency and adaption to current market conditions.

On April 21, 2015, inspections were conducted at the premises of Clear Channel in Denmark as part of an investigation by Danish competition authorities. Clear Channel Danmark A/S is cooperating with the national competition authorities

### Market demand

The advertising market is still developing in favor of online and digital media. Outdoors market share remained unchanged 3-5% of the total advertising market with an intrinsic, positive development towards digitalized outdoor media.

### Contract portfolio

During 2015 Clear Channel Danmark A/S had the opportunity to enter into a promising cooperation with the Copenhagen Metro from 2016 – 2019 with the perspective to bring the coming digitalization of all Metro stations to go live for the 2 million weekly Metro users.

The coming Metro agreement has no impact on the financial result for 2015 which was highly influenced from terminating unprofitable contracts on analogue media and from investments in new digital screen contracts.

### Strategy

Clear Channel Danmark A/S strives to be the front runner in the ongoing digitalization of the Outdoor media market and to remain a nationwide media partner on analogue and digital media, which is in line the Clear Channel Group strategy.

The Nordic region in the Clear Channel worldwide Group, is starting to integrate back office services and sharing market approaches in order to present an even greater value proposition to the customers.

## Management´s review

### Financials

The ongoing transformation during 2015 had a significant cost effect and the income statement for the year ended 31 December 2015 shows a loss of DDK -45.1 million compared to a loss of DKK -20.0 million in 2014. Besides terminating commercial contracts Clear Channel Danmark A/S unfortunately had to let a number of employees go, bringing down the number of full time employees from 71 (avr.) in 2014 to 52 by the end of 2015 (avr. 62 in 2015).

Although the financial statement is subject to substantial non-recurring events and contracts with negative and low margins the result for the year is not considered satisfactory.

The balance sheet at 31 December 2014 shows equity of DKK 17.9 million.

The Clear Channel Group has provided funding by both intercompany loan, capital increase of DKK 57.8 million during 2015 and is providing a credit line to ensure a successful transformation.

### Social and environmental effects

Based on current dialogues with customers, shareholders, employees, public authorities and suppliers, Clear Channel identifies the subjects and indicators that reflect the organization´s key economic, environmental and social impacts. Based on these efforts, Clear Channel is able to incorporate its stakeholders´ wishes for increased sustainability in the way in which it acts and communicates.

Clear Channel only uses environment friendly components and materials and aims for as large a share as possible of its products to be recycled after dismounting. Therefore, the company has no negative impact on the environment. Working closely with a number of organizations that contribute ethically and philanthropically to the society, Clear Channel endeavors to act in a positive and socially responsible manner in relation to its surrounding environment.

### Post balance sheet events

No events have occurred after the financial year end which could significantly affect the assessment of the company´s financial position.

### Outlook

Clear Channel Danmark A/S is in a better position on the brink to 2016 than for several years.

Digital revenue is expected to increase more than threefold compared to 2015 supported by a leaner and even more agile operation pursuing and exploiting the increasing digital opportunities in the market.

2016 will to a minor degree be affected by a few less profitable contracts which will still have a negative impact on the financial result for 2016. However the combination between the existing nationwide network and the expanding digital media is expected to produce a much more solid result than in previous years.



## Accounting policies

The annual report of Clear Channel Danmark A/S for 2015 has been presented in accordance with the provisions of the Danish Financial Statements Act as regards medium-sized reporting class C enterprises.

The accounting policies are consistent with those of last year.

### Reporting currency

The financial statements are presented in Danish kroner.

### Foreign currency translation

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

Monetary items denominated in foreign currencies are translated into Danish kroner at the exchange rates at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in the income statement as financial income/expenses.

## Income statement

### Revenue

Income from the sale is recognised in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be made up reliably. VAT, indirect taxes and discounts are excluded from the revenue.

### Gross margin

With reference to section 32 of the Financial Statements Act, the items "Revenue" and "Production cost" are consolidated into one item called "Gross margin".

### Cost of sales

Cost of sales includes rent to landlords, municipalities and agencies, used in generating the year's revenue. Cost of Sales also includes expenses production personnel and depreciation of machinery.

### Distribution expenses

Distribution expenses include expenses incurred for purposes of distributing goods sold during the year and expenses related to sales campaigns, etc. Distribution expenses include expenses related to sales personnel, advertising and exhibitions and depreciation.

### Administrative expenses

Administrative expenses include expenses incurred during the year in relation to the management and administration of the enterprise, including expenses related to the administration staff, executive officers, offices and depreciation.

## Accounting policies - continued

### Amortisation/depreciation and write-downs

The item includes depreciation and write-downs of property, plant and equipment. Depreciation is provided using the straight-line method on the basis of the cost and the below assessment of the useful lives of the assets.

	<u>Useful lives</u>	<u>Scrap values</u>
Leasehold improvements	5 – 7 years	0
Technical equipment	15 years	0
Other fixtures and fittings, tools and equipment	3 – 5 years	0

### Net financials

Financial income and expenses are recognised in the income statement at the amounts that relate to the reporting period. Net financials include interest income and expenses, realised and unrealised exchange gains and losses on foreign currency transactions.

### Tax

Tax for the year includes current tax on the year's expected taxable income. Current and deferred taxes related to items recognised directly in equity are taken directly to equity.

### Balance sheet

#### Property, plant and equipment

Property, plant and equipment comprise leasehold improvements, plant and machinery and other fixtures, fittings, tools and equipment. Property, plant and equipment are measured at cost less accumulated depreciation and write downs.

#### Impairment of fixed assets

Plant and equipment and leaseholds are subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation. Impairment tests are conducted in respect of individual assets or groups of assets generating separate cash flows when there is indications of impairment. The assets are written down to the higher of the value in use and net realisable value (recoverable amount) of the asset or group of assets if this is lower than the carrying amount. As for group of assets, impairment losses are first recognised in respect of goodwill and thereafter proportionately in respect of the other assets.

#### Inventories

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

#### Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. The value is reduced by provisions for impairment losses.

#### Prepayments

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

#### Income taxes

Current tax charges are recognised in the balance sheet as the estimated tax charge in respect of the expected taxable income for the year, adjusted for tax on prior years' taxable income and tax paid in advance.

Provisions for deferred tax are calculated at 23.5 % of all temporary differences between carrying amounts and tax values, with exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income, and temporary differences on non-amortisable goodwill.

Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or a set off against deferred tax liabilities.

#### Provisions

Provisions comprise expected expenses relating to restructurings. Provisions are recognised when, at the balance sheet date, the enterprise has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provision expected to be settled after more than one year after the balance sheet date are measured at the net present value of the expected payments. Other provisions are measured at net realisable value.

#### Financial liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. Interest-bearing debt is subsequently measured at amortised cost, using the effective interest rate method. Other debt is subsequently measured at amortised cost corresponding to the nominal unpaid debt.

#### Deferred income

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

#### Cash Flow statement

The cash flow statement shows the enterprise's net cash flows, the year's changes in cash equivalents and the enterprise's cash and cash equivalents at the beginning and at the end of the year.

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

Cash flows from investing activities comprise cash flows from the purchase and disposal of intangible and tangible assets and investments.

**Income statement**  
for the year ended 31 December

	Notes	2015 DKK'000	2014 DKK'000
Gross margin		27,838	30,795
Distribution costs	1-2	-18,852	-24,532
Administrative expenses	1-2	<u>-52,932</u>	<u>-25,768</u>
Operating profit/loss		-43,946	-19,505
Financial income		141	79
Financial expenses	3	<u>-1,272</u>	<u>-1,078</u>
Profit/loss before tax		-45,077	-20,504
Tax for the year		<u>0</u>	<u>0</u>
Profit/loss for the year		<u><u>-45,077</u></u>	<u><u>-20,504</u></u>
Proposed profit appropriation/distribution of loss			
Retained earnings/accumulated loss		<u>-45,077</u>	<u>-20,504</u>
		<u><u>-45,077</u></u>	<u><u>-20,504</u></u>

## Balance sheet

at 31 December

	Notes	2015 DKK'000	2014 DKK'000
<b>Assets</b>			
Non-current assets			
Property, plant and equipment	4		
Plant and machinery		29,982	34,273
Fixtures and fittings, other plant and equipment		697	911
Leasehold improvements		<u>6</u>	<u>10</u>
		<u>30,685</u>	<u>35,194</u>
Financial non-current assets			
Other receivables		<u>5,300</u>	<u>2,000</u>
		<u>5,300</u>	<u>2,000</u>
Total non-current assets		<u>35,985</u>	<u>37,194</u>
Current assets			
Inventories			
Goods for resale		<u>2,275</u>	<u>3,381</u>
		<u>2,275</u>	<u>3,381</u>
Receivables			
Trade receivables		14,674	20,899
Receivables from group enterprises		273	251
Other receivables		2,149	7,444
Prepayments		<u>723</u>	<u>3,028</u>
		<u>17,819</u>	<u>31,622</u>
Cash		<u>175</u>	<u>53</u>
Total current assets		<u>20,269</u>	<u>35,056</u>
Total assets		<u><u>56,254</u></u>	<u><u>72,250</u></u>

## Balance sheet

at 31 December

	Notes	2015 DKK'000	2014 DKK'000
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	5	10,289	10,287
Retained earnings		<u>7,562</u>	<u>-5,129</u>
Total equity		<u>17,851</u>	<u>5,158</u>
<b>Provisions</b>			
Other provisions		<u>8,297</u>	<u>6,300</u>
Total provisions	6	<u>8,297</u>	<u>6,300</u>
<b>Liabilities other than provisions</b>			
<b>Current liabilities other than provisions</b>			
Trade payables		17,082	19,949
Payables to group enterprises	8	7,010	31,016
Deposits		0	100
Other payables		4,607	5,564
Deferred income	8	<u>1,407</u>	<u>4,163</u>
Short-term liabilities		<u>30,106</u>	<u>60,792</u>
Total liabilities other than provisions		<u>30,106</u>	<u>60,792</u>
Total equity and liabilities		<u>56,254</u>	<u>72,250</u>
Contractual obligations and contingencies, etc.	9		
Related parties	10		

## Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2015	10,287	-5,129	5,158
Capital increase	2	57,768	57,770
Profit/loss for the year	0	-45,077	-45,077
Equity at 31 December 2015	10,289	7,562	17,851

## Cash Flow statement

	Notes	2015 DKK'000	2014 DKK'000
Profit/loss for the year		-45,077	-20,504
Adjustments	11	<u>9,367</u>	<u>-2,154</u>
Cash generated from operations (operating activities)		-35,710	-22,658
Changes in working capital	12	<u>4,929</u>	<u>-10,313</u>
Cash generated from operations (operating activities)		-30,781	32,971
Interest received, etc.		141	79
Interest paid, etc.		<u>-1,272</u>	<u>-1,078</u>
Cash flows from operating activities		<u>-31,912</u>	<u>-33,970</u>
Additions of property, plant and equipment		-1,730	-2,686
Disposals of property, plant and equipment		<u>0</u>	<u>2,549</u>
Cash flow from investing activities		<u>-1,730</u>	<u>-137</u>
Cash capital increase		57,770	25,600
Increase in group liabilities		<u>-24,006</u>	<u>4,249</u>
Cash flow from financing activities		<u>33,764</u>	<u>29,849</u>
Net cash flow		122	-4,258
Cash and cash equivalents at 1 January		<u>53</u>	<u>4,311</u>
Cash and cash equivalents at 31 December	13	<u><u>175</u></u>	<u><u>53</u></u>



## Notes

	2015 DKK'000	2014 DKK'000
<b>Note 1 Staff costs</b>		
Wages and salaries	31,509	37,202
Pensions	1,166	1,318
Other social security costs	119	137
Other staff costs	<u>36</u>	<u>16</u>
	<u><u>32,830</u></u>	<u><u>38,673</u></u>
Average number of full-time employees	<u><u>62</u></u>	<u><u>71</u></u>
By reference to section 98 (b) of the Danish Financial Statement Act, remuneration to the executive board is not disclosed.		
<b>Note 2 Amortisation/depreciation and write-downs</b>		
Depreciation of property, plant and equipment	<u>6,111</u>	<u>8,214</u>
	<u><u>6,111</u></u>	<u><u>8,214</u></u>
<b>Note 3 Financial expenses</b>		
Interest expenses, group entities	1,001	998
Other financial expenses	<u>271</u>	<u>80</u>
	<u><u>1,272</u></u>	<u><u>1,078</u></u>

## Notes

### Note 4 Property, plant and equipment

DKK'000	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2015	153,268	14,287	2,498	170,053
Additions	1,414	316	0	1,730
Disposals	<u>-2,001</u>	<u>-140</u>	<u>0</u>	<u>-2,141</u>
Cost at 31 December 2015	<u>152,681</u>	<u>14,463</u>	<u>2,498</u>	<u>169,642</u>
Impairment losses and depreciation at 1 January 2015	118,995	13,376	2,488	134,859
Depreciation	5,705	402	4	6,111
Depreciation and impairment of disposals	<u>-2,001</u>	<u>-12</u>	<u>0</u>	<u>-2,013</u>
Impairment losses and depreciation at 31 December 2015	<u>122,699</u>	<u>13,766</u>	<u>2,492</u>	<u>138,957</u>
Carrying amount at 31 December 2015	<u>29,982</u>	<u>697</u>	<u>6</u>	<u>30,685</u>

2015  
DKK'000

2014  
DKK'000

### Note 5 Share capital

The share capital consists of the following:

10,289 shares of DKK 1,000 each	<u>10,289</u>	<u>10,287</u>
	<u>10,289</u>	<u>10,287</u>

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

DKK'000	2015	2014	2013	2012	2011
Opening balance	10,287	10,286	10,285	10,285	10,285
Capital increase	2	1	1	0	0
	<u>10,289</u>	<u>10,287</u>	<u>10,286</u>	<u>10,285</u>	<u>10,285</u>

### Note 6 provisions

Other provisions consist of loss-making contract, totaling DKK 1,840 thousand, restructuring provisions, totaling tDKK 4,457 thousand and provision for claims, totalling DKK 2,000 thousand. Restructuring provisions, which comprise provisions for the restructuring of the company, include severance pay. Both commitments are expected to be settled in the coming financial year.

## Notes

### Note 7 Deferred income

Deferred income, DKK 1,407 thousand (2014: DKK 4,163 thousand), consists of payments received from customers, that may not be recognized until the subsequent financial year.

### Note 8 Payables to group enterprises

The Company has received a comfort letter from its parent company, which includes a credit facility of DKK 200 million. The Company's ability to fund working capital, capital expenditures, debt service and other obligations is depending on the parent company's ability to support the Company with the credit facility.

### Note 9 Contractual obligations and contingencies, etc.

Deferred	2015 DKK'000	2014 DKK'000
Other contingent liabilities		
Guarantee commitments	<u>5,175</u>	<u>8,301</u>

*Upon termination of a contract, the company is also obliged to dismantle the relevant equipment.*

Other financial obligations

Other rent and lease obligations

Rent and lease obligations	<u>80,708</u>	<u>89,036</u>
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### Note 10 Related parties

Clear Channel Danmark A/S' related parties comprise the following:

Information about consolidated financial statements

Parent	Domicile	Shareholding
Clear Channel Outdoor Holdings Inc.	San Antonio, Texas,	100%

The Consolidated Financial Statement can be obtained at [www.sec.gov](http://www.sec.gov)

### Note 11 Adjustments

Amortisation/depreciation and impairment losses	6,111	8,214
Gain/loss on the sale of fixed assets	128	-143
Change in provisions	1,997	-11,224
Financial income	-141	-79
Financial expenses	<u>1,272</u>	<u>1,078</u>
	<u>9,367</u>	<u>-2,154</u>

## Notes

	2015 DKK'000	2014 DKK'000
<b>Note 12 Changes in working capital</b>		
Change in inventories	1,106	502
Change in receivables	10,503	-1,832
Change in prepayments and trade and other payables	<u>-6,680</u>	<u>-8,983</u>
	<u><u>4,929</u></u>	<u><u>-10,313</u></u>
<b>Note 13 Cash and cash equivalents at year-end</b>		
Cash and cash equivalents according to the balance sheet	<u>175</u>	<u>53</u>
	<u><u>175</u></u>	<u><u>53</u></u>