

Omnicom Media Group A/S

Midtermolen 3
2100 København Ø

CVR no. 15 10 68 75

Annual report 2017

The annual report was presented and approved at the
Company's annual general meeting

On May 31 2018

chairman of the annual general meeting

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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 Omnicom Media Group A/S for the financial year 1 January – 31 December 2017.


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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's activities and financial matters, of the results for the year and of the Group's and the Parent Company's financial position.

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

Copenhagen, 31 May 2018
Executive Board:



Peter Gottfredsen
CEO

Board of Directors:




Peter Pölzlbauer
Chairman


John James Byrnes



Martin Møller



Jesper Lundgren



Peter Gottfredsen

Independent auditor's report

To the shareholders of Omnicom Media Group A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Omnicom Media Group A/S for the financial year 1 January – 31 December 2017 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and a cash flow statement for the Group. The consolidated financial statements and parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the consolidated financial statements and the parent company financial statements

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

Independent auditor's report

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made on the basis of these consolidated financial statements and parent company financial statements.

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

- identify and assess the risks of material misstatement of the consolidated financial statements and the parent company 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 Group's and the Parent Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditor's report

- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent 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 consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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Independent auditor's report

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

Copenhagen, 31 May 2018

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

David Olafsson
State Authorised
Public Accountant
MNE no. 19737

Omnicom Media Group A/S
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Management's review

Company details

Omnicom Media Group A/S
Midtermolen 3A
2100 København Ø

Telephone: +45 38 14 56 00
Fax: +45 38 14 56 01
CVR-no.: 15 10 68 75
Financial period: 1 January – 31 December
Established: 1 May 1991
Registered office: Copenhagen

Board of Directors

Peter Pölzlbauer, Chairman
John James Byrnes
Martin Møller
Jesper Lundgren
Peter Gottfredsen

Executive Board

Peter Gottfredsen, CEO

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 København Ø
Denmark

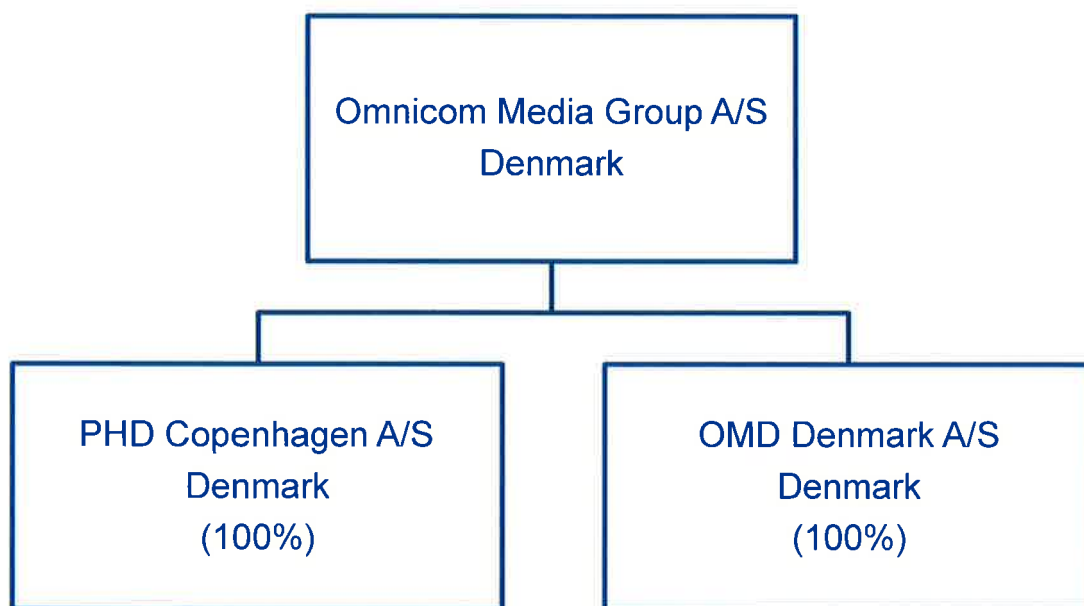
General meeting

The annual general meeting is held on 31 May 2018 at the Company's address.

Management's review

Group chart

Parent company



Management's review

Financial highlights for the Group

DKK'000	2017	2016	2015	2014	2013
Revenue	165,003	157,364	148,324	140,860	136,002
Ordinary operating profit	28,069	25,180	25,896	25,820	23,644
Net financials	-73	-762	-837	-1,326	-643
Net profit for the year	23,158	18,691	18,195	18,084	17,222
Balance sheet total	477,235	456,819	300,965	409,905	308,874
Investments in property, plant and equipment	-1,674	-2,832	-1,452	-1,213	-5,064
Equity	29,714	25,056	24,809	24,614	23,530
Gross margin	84.5%	84.4%	85.1%	84.9%	85.7%
Profit margin	17.0%	16.0%	17.5%	18.3%	17.4%
Return on assets	6.0%	6.6%	7.3%	7.2%	8.0%
Solvency ratio	6.2%	5.5%	8.2%	6.0%	7.6%
Return on equity	84.6%	75.0%	73.6%	75.1%	76.8%
Liquid test	105.5%	104.7%	106.7%	105.6%	106.9%

Gross margin

$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$

Revenue

Profit margin

$\frac{\text{Ordinary operating profit} \times 100}{\text{Revenue}}$

Revenue

Return on assets

$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$

Total assets

Solvency ratio

$\frac{\text{Equity at year end} \times 100}{\text{Total assets}}$

Total assets

Return on equity

$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$

Average equity

Liquid test

$\frac{\text{Current assets total} \times 100}{\text{Current liabilities}}$

Current liabilities

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' "Recommendations and Financial Ratios".

Management's review

Operating review

The Group's principal activities

In 2017, the Company provided a wide range of media and marketing consultancy services, including media and marketing strategy, eCommerce consulting and other digital business and communication strategies, media negotiation and optimization of advertising space in media, Market Analysis and Advanced Decision Support Systems. In 2017, the Company expanded the activities within content development and content distribution and CRM-related services.

Omnicom Media Group provides shared services for the group companies in the areas of management, finance, IT and HR. In addition, the Company's business includes advanced decision support systems that are produced and marketed through the specialist unit "Annalect" as well as data-driven digital marketing expertise that is part of 'Resolution'. Finally, the Company delivers digital production and content development through the specialist unit 'DRUM'.

The group companies enjoy an integrated and continuous cooperation with a number of the largest advertisers in Denmark and the Nordic region and they deliver a wide range of consultancy services to these clients.

Business development and finances

The Group's profitability and financial development is satisfactory and in line with the forecast in the Company's latest annual report.

The Company's financial results have been delivered while continuously investing in the development of new capabilities, especially in the field of marketing automation and data-driven digital solutions.

In 2017, the specialist units; Annalect, Resolution and DRUM, developed new methodologies, capabilities and systems which have ensured a continued increase in the demand for these services.

The Group has continued to successfully expand its specialist competencies within a wide range of advanced digital services including CRM-related services, marketing automation and content development and content distribution.

The Group has enjoyed a significant inflow of new clients in 2017, and both media agencies within the group received an exceptionally high number of awards and recognitions in 2017.

In fact, Omnicom Media Group was the most award-winning media agency group in 2017, as it has been for years.

Management's review

Operating review

Outlook

We expect a moderate development in the Danish economy and a corresponding trend in media spending. The intensified competition in the market is expected to continue.

We expect the Company to strengthen its market position, and through a continued prioritisation of product and service development we expect an increase in both revenue and gross profit.

Intellectual capital

The Company's business concept is primarily based on the offering of advanced consultancy services delivered by highly qualified specialists.

This requires comprehensive knowledge resources, both in terms of talents and business procedures. To continuously offer such services, it is imperative for the Company to be able to recruit and retain highly skilled employees in the fields of marketing, technology and CRM.

The Company's objective is to be able to continue to base its consulting services on the latest know-how and to ensure the ability to quickly adjust to market changes.

Special risks – business risks and financial risks

The Company's business and financial risk is closely related to the development of the national economy, which is currently considered stable.

The primary financial risk for the company is the customers' ability to pay; therefore, the Company has credit insurance coverage on all customers.

Subsidiaries

In the past year, the Company's two subsidiaries, the media agency OMD Denmark A/S and the media agency PHD Copenhagen A/S, experienced a positive result and contributed with approximately DKK 14.8 million to the Company's total earnings.

A positive development and even better financial performance is expected for the subsidiaries in the coming year.

Management's review

Operating review

Subsequent events

No events materially affecting the assessment of the annual report have occurred after the balance sheet date.

Uncertainty relating to recognition and measurement

Recognition and measurement in the annual report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2017 of the Group and the results of the Company's operations and cash flows for the financial year 2017 have not been affected by any unusual events.

External environment

Omnicom Media Group A/S is environmentally conscious and works towards reducing the environmental impacts of corporate operations.

Consolidated financial statements and Parent Company financial statements 1 January – 31 December

Income statement

DKK'000	Note	Group		Parent Company	
		2017	2016	2017	2016
Revenue	2	165,003	157,364	95,329	85,149
Other external costs		-25,522	-24,590	-21,526	-14,754
Gross profit		139,481	132,774	73,804	70,395
Staff costs	3	-109,780	-105,620	-63,159	-60,997
Depreciation, amortisation		-1,632	-1,974	-1,464	-1,745
Ordinary operating profit		28,069	25,180	9,181	7,653
Income from investments in subsidiaries	4	0	0	14,771	13,506
Financial income	5	726	96	62	58
Financial expenses	6	-799	-858	-407	-538
Profit before tax		27,995	24,418	23,607	20,679
Tax on profit for the year	7	-4,837	-5,727	-449	-1,988
Profit for the year		23,158	18,691	23,158	18,691
Proposed distribution of profit					
Proposed dividend for the year		23,000	18,500	23,000	18,500
Retained earnings		158	191	158	191
		23,158	18,691	23,158	18,691

Consolidated financial statements and Parent Company financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	Group		Parent Company	
		2017	2016	2017	2016
ASSETS					
Fixed assets					
Intangible assets	8				
Software		267	239	267	239
		267	239	267	239
Property, plant and equipment	9				
Other fixtures and fittings, tools and equipment		2,133	2,209	1,909	2,055
Leasehold improvements		702	640	644	592
		2,835	2,849	2,553	2,647
Investments					
Investments in subsidiaries	10	0	0	24,918	23,147
Deposits		2,497	2,252	2,497	2,252
		2,497	2,252	27,415	25,399
Total fixed assets		5,599	5,340	30,235	28,285
Current assets					
Receivables					
Trade receivables		200,208	192,085	4,911	3,010
Contract work in progress	11	1,923	657	1,870	83
Amount owed by group entities		259,980	252,334	99,449	91,713
Other receivables		7,957	4,802	3,842	2,282
Deferred tax asset	12	543	554	370	522
Prepayments		1,024	1,047	947	755
		471,636	451,480	111,387	98,366
Cash at bank and in hand		0	0	0	0
Total current assets		471,636	451,480	111,387	98,366
TOTAL ASSETS		477,235	456,819	141,623	126,650

Consolidated financial statements and Parent Company financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	Group		Parent Company	
		2017	2016	2017	2016
EQUITY AND LIABILITIES					
Equity					
Share capital		3,037	3,037	3,037	3,037
Reserves in accordance with the articles of association		2,267	2,267	2,267	2,267
Retained earnings		1,409	1,252	1,409	1,252
Proposed dividend		23,000	18,500	23,000	18,500
Total equity		29,714	25,056	29,714	25,056
Liabilities other than provisions					
Non-current liabilities other than provisions					
Lease commitments		298	432	298	432
		298	432	298	432
Current liabilities other than provisions					
Lease commitments		134	134	134	134
Trade payables		193,663	191,338	4,542	3,389
Contract work in progress	11	3,470	5,426	2,571	803
Payables to associates		185,313	175,404	87,646	80,299
Corporation tax		4,229	8,152	1,128	3,939
Other payables		31,027	28,726	15,590	12,598
Deferred income		29,388	22,151	0	0
		447,223	431,331	111,611	101,162
Total liabilities other than provisions		447,521	431,763	111,909	101,594
TOTAL EQUITY AND LIABILITIES		477,235	456,819	141,623	126,650
Contractual obligations and contingencies, etc.					
	13				
Related parties and ownership					
	14				

Consolidated financial statements and Parent Company financial statements 1 January – 31 December

Statement of changes in equity

	Group				
DKK'000	Share capital	Reserves in accordance with the articles of association	Retained earnings	Proposed dividend	Total
Equity at 1 January 2017	3,037	2,267	1,251	18,500	25,056
Ordinary dividend paid				-18,500	-18,500
Net profit for the year			158	23,000	23,158
Equity at 31 December 2017	<u>3,037</u>	<u>2,267</u>	<u>1,409</u>	<u>23,000</u>	<u>29,714</u>

	Parent Company				
DKK'000	Share capital	Reserves in accordance with the articles of association	Retained earnings	Proposed dividend	Total
Equity at 1 January 2017	3,037	2,267	1,251	18,500	25,056
Ordinary dividend paid				-18,500	-18,500
Net profit for the year			158	23,000	23,158
Equity at 31 December 2017	<u>3,037</u>	<u>2,267</u>	<u>1,409</u>	<u>23,000</u>	<u>29,714</u>

The share capital consists of 3,037 shares with a nominal value of DKK 1,000. No shares carry any special rights.

The share capital can be specified as follows:

DKK'000	2017	2016	2015	2014	2013
Share capital at 1 January 2017	<u>3,037</u>	<u>3,037</u>	<u>3,037</u>	<u>3,037</u>	<u>3,037</u>
Share capital at 31 December 2017	<u>3,037</u>	<u>3,037</u>	<u>3,037</u>	<u>3,037</u>	<u>3,037</u>

Consolidated financial statements and Parent Company financial statements 1 January – 31 December

Cash flow statement

DKK'000	Note	Group	
		2017	2016
Revenue	2	165,003	157,364
Costs		-25,522	-24,590
Other operation costs		-109,780	-105,621
Cash flows from operating activities before changes in working capital		29,700	27,154
Changes in working capital		-353	-5,869
Cash flows from operations		29,348	21,285
Interest income		726	96
Interest expense		-799	-857
Cash flows from operating activities before extraordinary items and tax		29,274	20,523
Corporation tax paid		-8,750	-2,105
Cash flows from operating activities		20,525	18,418
Acquisition of property, plant and equipment		-1,646	-1,525
Changes in investments		-245	1,181
Cash flows used for investing activities		-1,891	-344
Dividends paid		-18,500	-18,000
Payables to credit institutions		-134	-78
Cash flows from financing activities		-18,634	-18,078
Net cash flows for the year		0	-3
Cash and cash equivalents at 1 January		0	3
Cash and cash equivalents at year end		0	0

Consolidated financial statements and Parent Company financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Omnicom Media Group A/S for 2017 has been prepared in accordance with the provisions applying to reporting class C entities under the Danish Financial Statements Act.

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

The annual report of Omnicom Media Group A/S is included in the consolidated financial statements of Omnicom Media Group A/S.

The annual report of Omnicom Media Group A/S is included in the consolidated financial statements of the ultimate parent company Omnicom Group Inc., USA. The annual report can be obtained on the Company's web site: <http://investor.omnicomgroup.com/investor-relations/news-events-and-filings/default.aspx#AnnualReports>.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

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

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

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Consolidated financial statements and Parent Company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, Omnicom Media Group A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. An overview of the group appears on page 8.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of subsidiaries' fair value of net assets and liabilities at the date of acquisition.

Income statement

Revenue

Revenue consists of media revenue and revenue regarding consultancy services.

Media invoicing to customers is recognised in the income statement provided that delivery and transfer of risk to the buyer has taken place before year end and that the income can be reliably measured and is expected to be received. Media revenue is measured ex. VAT, tax charged and rebates in connection with the sale. We act as an agent and revenue is recognised as invoicing to customers less media expenses.

Contract work in progress is recognised as revenue as the production is carried out. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage of completion method). Revenue is recognised when total income and expenses and the stage of completion of the contract at the balance sheet date can be reliably calculated and when it is probable that the economic benefits, including payment, will flow to the Group.

Other external costs

Other external costs comprise costs for sale, advertising, administration, rent, etc.

Consolidated financial statements and Parent Company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Staff costs

Staff costs comprise salaries and wages, including holiday allowance, pensions and other social security costs, etc., to the Company's employees excluding refunds from public authorities.

Incentive programmes

The value of services received in exchange for granted options is measured at fair value of the options granted at the time of grant.

The value of the options is measured on each balance sheet day and at final settlement and changes in the value of the options are recognised in the income statement under staff costs proportionally in line with the vesting period where the employee has the right to exercise the options. The offset is being accounted for under liabilities in the balance sheet.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amount relating to the financial year. Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on account tax scheme, etc.

Income from investments in group subsidiaries

The proportionate share of the individual subsidiaries' profit/loss after tax is recognised in the Parent Company's income statement after full elimination of internal gains/losses.

Tax on profit for the year

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

The Company is jointly taxed with the other Omnicom companies in Denmark. The tax effect of the joint taxation is allocated in proportion to the taxable income (full absorption).

Consolidated financial statements and Parent Company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Balance sheet

Property, plant and equipment

Fixtures and fittings and tools and equipment are measured at cost less accumulated depreciation and impairment.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Leasehold improvements	During the lease period
Other fixtures and fittings, tools and equipment	3-5 years

Property, plant and equipment are written down to the recoverable amount if this is lower than the carrying amount. Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

Investments in subsidiaries

Investments in subsidiaries are measured according to the equity method.

Investments in subsidiaries are measured in the balance sheet at the proportionate share of the enterprises' net asset values calculated in accordance with the parent company's accounting policies minus or plus unrealised intra-group profits and losses and goodwill.

Net revaluation of investments in subsidiaries is transferred to the reserve for net revaluation according to the equity method in equity to the extent that the carrying amount exceeds cost.

Deposits

Deposits are measured at amortised cost.

Consolidated financial statements and Parent Company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made.

Contract work in progress

Contract work in progress is measured at the selling price of the work performed. The selling price is measured by reference to the stage of completion at the balance sheet date and total expected income from the contract work in progress.

When the selling price of a construction contract cannot be measured reliably, the selling price is measured at the lower of costs incurred and net realisable value.

Contract work in progress is recognised in the balance sheet under receivables or payables, depending on the net amount of the selling price less progress billings and prepayments.

Selling costs and costs incurred in securing contracts are recognised in the income statement when incurred.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

Dividends

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year (declaration date) is disclosed as a separate item under equity.

Consolidated financial statements and Parent Company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Corporation tax and deferred tax

Current tax payable and receivable is recognised on the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss for the year or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement and equity.

Current liabilities

Liabilities, which comprise trade and other payables and amount owed to group enterprises, are measured at amortised cost, substantially corresponding to nominal value.

Deferred income recognised as liabilities include incoming payments regarding income in following years.

Foreign currency translation

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

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

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1 Accounting policies (continued)

Cash flow statement

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

Cash flows from operating activities

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities, intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise purchase and sale of treasury shares, payments arising from increases or reductions in capital and related costs as well as the payment of dividends to shareholders and the raising and repayment of interest-bearing debt.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less, which are easily convertible into cash, and which are subject to only an insignificant risk of changes in value.

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DKK'000	Group		Parent Company	
	2017	2016	2017	2016
2 Revenue				
Invoicing to customers	1,369,807	1,224,879	94,803	84,541
Media expenses, etc.	-1,204,805	-1,067,515	527	608
Total revenue	165,003	157,364	95,329	85,149
3 Staff costs				
Wages and salaries	94,366	89,823	52,040	49,764
Pensions	6,431	6,057	3,454	3,391
Other social security costs	1,335	1,413	805	889
Other staff costs	7,648	8,327	6,860	6,953
	109,780	105,620	63,159	60,997
Average number of full-time employees	199	190	108	109

In accordance with section 98 B(3) of the Danish Financial Statements Act, remuneration to the Executive Board has not been disclosed. No remuneration has been paid to the Board of Directors.

4 Income from investments in subsidiaries

	Parent Company	
	2017	2016
Income from investments in subsidiaries	14,771	13,506
	14,771	13,506

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DKK'000	Group		Parent Company	
	2017	2016	2017	2016
5 Financial income				
Interest income received from associates	0	33	0	0
Other financial income	726	63	62	58
	<u>726</u>	<u>96</u>	<u>62</u>	<u>58</u>
6 Financial expenses				
Interest paid to associates	0	19	0	19
Other financial expenses	799	839	407	519
	<u>799</u>	<u>858</u>	<u>407</u>	<u>538</u>
7 Tax on profit for the year				
Current tax for the year	6,482	5,286	2,056	1,472
Deferred tax for the year	11	441	153	516
Adjustment of tax concerning previous years	-1,656	0	-1,760	0
	<u>4,837</u>	<u>5,727</u>	<u>449</u>	<u>1,988</u>

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8 Intangible assets

	Group
	Software
DKK'000	
Cost at 1 January 2017	1,541
Additions for the year	272
Disposals for the year	-299
Cost at 31 December 2017	1,514
Impairment losses and depreciation at 1 January 2017	-1,302
Depreciation for the year	-244
Depreciation on disposed assets	299
Impairment losses and depreciation at 31 December 2017	-1,246
Carrying amount at 31 December 2017	267

	Parent Company
	Software
DKK'000	
Cost at 1 January 2017	1,541
Additions for the year	272
Disposals for the year	-299
Cost at 31 December 2017	1,514
Impairment losses and depreciation at 1 January 2017	-1,302
Depreciation for the year	-244
Depreciation on disposed assets	299
Impairment losses and depreciation at 31 December 2017	-1,246
Carrying amount at 31 December 2017	267

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9 Property, plant and equipment

	Group		
DKK'000	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2017	7,226	721	7,947
Additions for the year	1,158	244	1,402
Disposals for the year	-884	-13	-897
Cost at 31 December 2017	7,500	952	8,452
Depreciation and impairment losses at 1 January 2017	-5,017	-81	-5,098
Depreciation for the year	-1,218	-170	-1,388
Depreciation on disposed assets	869	1	869
Impairment losses and depreciation at 31 December 2017	-5,367	-250	-5,617
Carrying amount at 31 December 2017	2,133	702	2,835
Of which relates to finance lease	419	0	419

	Parent Company		
DKK'000	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2017	6,328	669	6,998
Additions for the year	931	210	1,141
Disposals for the year	-555	0	-555
Cost at 31 December 2017	6,705	879	7,584
Impairment losses and depreciation at 1 January 2017	-4,273	-77	-4,350
Depreciation for the year	-1,062	-158	-1,220
Depreciation on disposed assets	539	0	539
Impairment losses and depreciation at 31 December 2017	-4,796	-235	-5,031
Carrying amount at 31 December 2017	1,909	644	2,553
Of which relates to finance lease	419	0	419

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DKK'000	Parent Company	
	2017	2016
10 Investments in subsidiaries		
Cost at 1 January	14,373	14,373
Cost at 31 December	14,373	14,373
Revaluations at 1 January	8,774	6,568
Net profit for the year	14,771	13,506
Dividend to the Parent Company	-13,000	-11,300
Revaluations at 31 December	10,545	8,774
Carrying amount at 31 December	24,918	23,147

Investments in subsidiaries are specified as follows:

Name/legal form	Registered office	Equity interest	Equity DKK'000	Net profit for the year DKK'000
Subsidiaries:				
PHD Copenhagen A/S	Copenhagen	100%	15,808	7,446
OMD Denmark A/S	Copenhagen	100%	9,110	7,325
			24,918	23,147

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DKK'000	Group		Parent Company	
	2017	2016	2017	2016
11 Contract work in progress				
Contract work in progress	512	2,236	508	224
Work in progress, payments received on account	-2,058	-7,005	-1,209	-944
	<u>-1,547</u>	<u>-4,769</u>	<u>-701</u>	<u>-720</u>
Recognised as follows in the balance sheet:				
Contract work in progress recognised in assets	1,923	657	1,870	83
Contract work in progress recognised in liabilities	-3,470	-5,426	-2,571	-803
	<u>-1,547</u>	<u>-4,769</u>	<u>-701</u>	<u>-720</u>
12 Deferred tax				
Deferred tax at 1 January	554	994	522	1,038
Deferred tax adjustment	-11	-440	-153	-516
	<u>543</u>	<u>554</u>	<u>370</u>	<u>522</u>

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13 Contractual obligations and contingencies, etc.

Contingent liabilities/Rental obligations

DKK'000	Group	Parent Company
Lease obligations falling due within 1 year	6,874	6,735
Lease obligations falling due within 2-5 years	15,923	15,836
	<u>22,796</u>	<u>22,570</u>

The office lease contracts have a period of interminability at 60 months.

Joint taxation

The Company is jointly taxed with the group of Danish subsidiaries. The administrative company, together with the group of Danish subsidiaries included in the joint taxation, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends and interest. The jointly taxed companies' net liabilities to SKAT appears in the administrative Company's annual report, DDB Copenhagen A/S, CBR no. 24 25 69 44. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, interest and royalties may entail that the Company's liability will increase.

14 Related parties and ownership

Omnicom Media Group A/S' related parties include Optimum Media Direction A/S, Omnicom Media Group Europe Limited and OmnicomGroup Inc.

Omnicom Media Group A/S' related parties with significant influence comprise group enterprises, as and the Boards of Directors, Executive Boards and executive employees of the companies and their family members. Furthermore, related parties comprise companies in which the abovementioned persons have significant interests. All related party transactions have been carried out on an arm's length basis.

Controlling interest

Optimum Media Direction A/S, Møntergade 1, 2., 1116 Copenhagen K, Denmark.

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Ownership

According to the register of shareholders, the following shareholders control minimum 5% of the votes or own minimum 5% of the share capital:

Optimum Media Direction A/S
Møntergade 1, 2.
1116 Copenhagen K
Denmark

Omnicon Media Group Europe Limited
5th Floor, 85 Strand
London WC2R 0DW
England

Consolidated annual report

The supreme parent is Omnicom Group Inc., and their consolidated annual report can be required at:

Omnicom Group Inc.
437 Madison Avenue
New York, New York 10022