

Omnicom Media Group A/S

Midtermolen 3
2100 København Ø

CVR no. 15 10 68 75

Annual report 2019

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

on _____ 20 _____

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 2019.

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 2019 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 2019.

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, July 8, 2020
Executive Board:

Peter Gottfredsen
CEO

Board of Directors:

John James Byrnes
Chairman

Frank Andersen

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 2019 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 2019 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 2019 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.

Omnicom Media Group A/S
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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, July 8, 2020

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

David Olafsson
State Authorised
Public Accountant
MNE no. 19737

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

John James Byrnes, Chairman
Frank Andersen
Jesper Lundgren
Peter Gottfredsen

Executive Board

Peter Gottfredsen, CEO

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 København Ø
Denmark

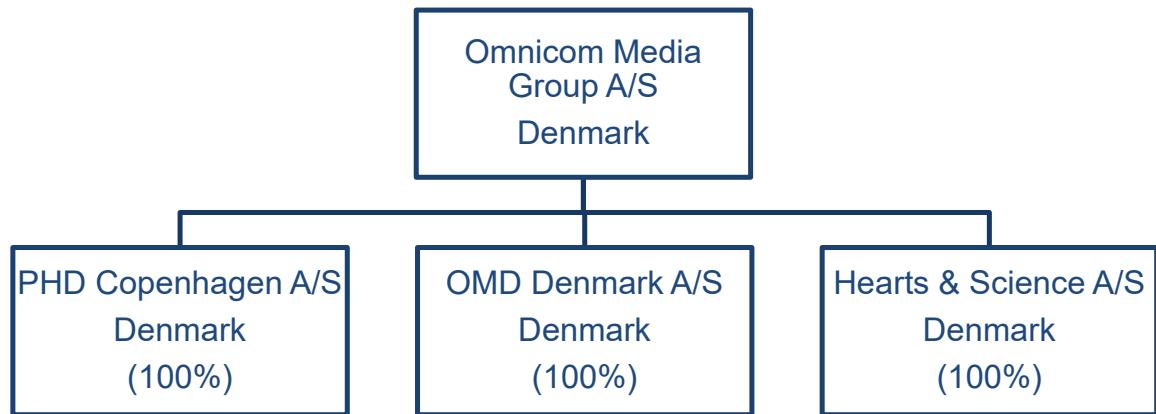
General meeting

The annual general meeting is held on July 8, 2020 at the Company's address.

Management's review

Group chart

Parent company



Management's review

Financial highlights for the Group

DKK'000	2019	2018	2017	2016	2015
Revenue	170,642	168,485	165,003	157,364	148,324
Ordinary operating profit	22,728	26,609	28,069	25,180	25,896
Net financials	-787	-224	-73	-762	-837
Net profit for the year	17,102	20,422	23,158	18,691	18,195
Balance sheet total	342,544	339,777	379,753	365,329	260,511
Investments in property, plant and equipment	-592	-804	-1,674	-2,832	-1,452
Equity	44,237	27,136	29,714	25,056	24,809
Gross margin	82.3%	85.3%	84.5%	84.4%	85.1%
Profit margin	13.3%	15.8%	17.0%	16.0%	17.5%
Return on assets	6.7%	7.4%	7.5%	8.0%	8.0%
Solvency ratio	12.9%	8.0%	7.8%	6.9%	9.4%
Return on equity	47.9%	71.8%	84.6%	75.0%	73.6%
Liquid test	113.3%	107.1%	107.0%	105.9%	106.2%

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Ordinary operating profit x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$
Liquid test	$\frac{\text{Current assets total x 100}}{\text{Current liabilities}}$

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

The Group Companies enjoy a continuous cooperation with a wide range of advertisers in Denmark, and deliver a variety of marketing related consultancy services to these companies.

In 2019, the Media and Marketing Consultancy Services, included; Media and Marketing strategy, Customer Journey Analysis, eCommerce consulting and other digital Business- and Communication strategies. Companies within the group provided; Media negotiation and optimization of advertising space in media. In 2019 the company expanded the activities within Technical Digital Transformation, Marketing Automation and Customer Journey Analysis.

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 optimization through the specialist entity 'Resolution'. Finally, the company delivers digital production and content development through the specialist unit 'DRUM'.

Omnicom Media Group provides shared services for the Group Companies in the areas of Management, Finance, IT and HR.

Business development and finances

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

The Company's financial results has been delivered while continuously investing in the development of new capabilities. Investing in new areas of expertise has always been part of the ongoing development of the company, but in 2019 a particularly significant investment was made to organically develop expertise within CRM, Customer Journey Analysis, Marketing Automation and Advertising Technology. The company also invested in the development of an updated technical infrastructure to drive operational efficiencies and data driven products delivered through digital service interfaces.

These new capabilities have been instrumental in winning new clients and establishing new revenue streams. Hence the Group has enjoyed an net inflow of 23 new clients in 2019, and the media agencies within the group received an exceptionally high number of awards and recognitions.

In fact, Omnicom Media Group was the most award-winning media agency group in Denmark in 2019. All entities within the group won a significant number of awards within their specialism during the year, as a recognition of their market leading services. The services withing advanced data management and agile decision support systems received international recognition by winning three awards at the annual European Research Awards arranged by IAB in Warsaw, Poland.

Outlook

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

Despite the uncertainty in the general economy we expect the Company to strengthen its market position and market share, through a continued prioritisation of product and service development and a high number of new client relationships.

As a consequence of the outbreak of COVID-19, the Company's financial position for 2020/21 is expected to be adversely affected.

Despite the government aid packages launched, Management expects a decline in revenue for the year and results before tax in the coming financial year. The impact on the Company's performance relies on the scope of the Government's measures to curtail the spread, including the duration of the restrictions, and is therefore uncertain and impossible to quantify at the present moment.

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 all the relevant areas of expertise.

The strong performance on market recognition and awards has been instrumental in building a strong employer brand which is critical for the company's ability to attract talent.

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 unstable.

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 10,6 million to the Company's total earnings.

In 2018 the group launched a third agency; 'Hearts & Science'. This agency will be focusing on clients with complex technical requirements and advertisers with advanced internal capabilities within marketing and advertising technology. In 2019 the company reached a gross revenue of DKK 4,8 million, and a net loss of DKK 0,8 million. This is in line with the launch plan for the agency, and the considered a satisfactory result for the first fiscal 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 2019 of the Group and the results of the Company's operations and cash flows for the financial year 2019 have not been affected by any unusual events.

External environment

Omnicom Media Group A/S is environmentally conscious and works to reduce 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	
		2019	2018	2019	2018
Revenue	2	170,642	168,485	94,013	95,043
Other external costs		-30,156	-24,796	-22,269	-22,184
Gross profit		140,486	143,689	71,744	72,859
Staff costs	3	-116,517	-115,807	-60,800	-63,019
Depreciation, amortisation		-1,241	-1,274	-1,146	-1,157
Ordinary operating profit		22,728	26,609	9,797	8,683
Income from investments in subsidiaries	4	0	0	9,833	14,151
Financial income	5	0	448	0	0
Financial expenses	6	-787	-672	-495	-477
Profit before tax		21,941	26,385	19,134	22,357
Tax on profit for the year	7	-4,839	-5,962	-2,033	-1,935
Profit for the year		<u>17,102</u>	<u>20,422</u>	<u>17,102</u>	<u>20,422</u>
Proposed distribution of profit					
Proposed dividend for the year		0	20,000	0	20,000
Retained earnings		<u>17,102</u>	<u>422</u>	<u>17,102</u>	<u>422</u>
		<u>17,102</u>	<u>20,422</u>	<u>17,102</u>	<u>20,422</u>

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

Balance sheet

DKK'000	Note	Group		Parent Company		
		2019	2018	2019	2018	
ASSETS						
Fixed assets						
Intangible assets	8					
Software		159	213	159	213	
		159	213	159	213	
Property, plant and equipment	9					
Other fixtures and fittings, tools and equipment		1,478	1,876	1,434	1,754	
Leasehold improvements		344	540	305	485	
		1,822	2,416	1,739	2,239	
Investments						
Investments in subsidiaries	10	0	0	35,402	25,569	
Deposits		2,752	2,519	2,751	2,519	
		2,752	2,519	38,153	28,088	
Total fixed assets		4,732	5,149	40,051	30,540	
Current assets						
Receivables						
Trade receivables		177,246	193,999	7,758	7,301	
Contract work in progress	11	1,930	949	798	266	
Amount owed by group entities		148,325	130,280	84,710	90,067	
Other receivables		8,377	7,952	2,225	1,163	
Deferred tax asset	12	470	502	386	330	
Prepayments		1,461	946	1,407	892	
		337,812	334,628	97,285	100,019	
Cash at bank and in hand		0	0	0	0	
Total current assets		337,812	334,628	97,285	100,019	
TOTAL ASSETS		342,544	339,777	137,335	130,560	

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

Balance sheet

DKK'000	Note	Group		Parent Company		
		2019	2018	2019	2018	
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		18,933	1,831	18,933	1,831	
Proposed dividend		0	20,000	0	20,000	
Proposed dividend previous years		20,000	0	20,000	0	
Total equity		<u>44,237</u>	<u>27,136</u>	<u>44,237</u>	<u>27,136</u>	
Liabilities other than provisions						
Non-current liabilities other than pro- visions						
Lease commitments		35	153	35	153	
		<u>35</u>	<u>153</u>	<u>35</u>	<u>153</u>	
Current liabilities other than provi- sions						
Lease commitments		111	144	111	144	
Trade payables		163,511	168,305	4,179	5,948	
Contract work in progress	11	4,815	3,016	827	724	
Payables to associates		71,022	81,230	70,828	80,722	
Corporation tax		2,207	3,620	1,188	896	
Other payables		31,008	29,223	15,930	14,836	
Deferred income		25,599	26,950	0	0	
		<u>298,272</u>	<u>312,488</u>	<u>93,063</u>	<u>103,271</u>	
Total liabilities other than provisions		<u>298,307</u>	<u>312,641</u>	<u>93,098</u>	<u>103,424</u>	
TOTAL EQUITY AND LIABILITIES		<u>342,544</u>	<u>339,777</u>	<u>137,335</u>	<u>130,560</u>	
Contractual obligations and contin- gencies, etc.						
Related parties and ownership	13					
	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 2019	3,037	2,267	1,831	20,000	27,136
Ordinary dividend paid					0
Net profit for the year			17,102		17,102
Equity at 31 December 2019	3,037	2,267	18,933	20,000	44,237

Parent Company					
DKK'000	Share capital	Reserves in accordance with the articles of association	Retained earnings	Proposed dividend	Total
Equity at 1 January 2019	3,037	2,267	1,831	20,000	27,136
Ordinary dividend paid					0
Net profit for the year			17,245		17,245
Equity at 31 December 2019	3,037	2,267	19,077	20,000	44,381

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	2019	2018	2017	2016	2015
Share capital at 1 January 2019	3,037	3,037	3,037	3,037	3,037
Share capital at 31 December 2019	3,037	3,037	3,037	3,037	3,037

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

Cash flow statement

DKK'000	Note	Group	
		2019	2018
Revenue	2	170,642	168,485
Costs		-30,156	-24,796
Other operation costs		<u>-116,517</u>	<u>-115,807</u>
Cash flows from operating activities before changes in working capital		23,969	27,882
Changes in working capital		<u>-15,986</u>	<u>2,831</u>
Cash flows from operations		7,983	30,713
Interest income		0	448
Interest expense		<u>-787</u>	<u>-672</u>
Cash flows from operating activities before extraordinary items and tax		7,195	30,489
Corporation tax paid		<u>-6,220</u>	<u>-6,531</u>
Cash flows from operating activities		976	23,959
Acquisition of property, plant and equipment		-592	-801
Changes in investments		<u>-232</u>	<u>-22</u>
Cash flows used for investing activities		-825	-823
Dividends paid		0	-23,000
Payables to credit institutions		<u>-151</u>	<u>-135</u>
Cash flows from financing activities		-151	-23,135
Net cash flows for the year		0	0
Cash and cash equivalents at 1 January		0	0
Cash and cash equivalents at year end		<u>0</u>	<u>0</u>

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 2019 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.

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 and Parent Company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

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

Notes

1 Accounting policies (continued)

Other external costs

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

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.

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

Notes

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.

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

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DKK'000	Group		Parent Company	
	2019	2018	2019	2018
2 Revenue				
Invoicing to customers	1,272,012	1,286,331	95,595	95,473
Media expenses, etc.	-1,101,369	-1,117,846	-1,582	-430
Total revenue	170,642	168,485	94,013	95,043
3 Staff costs				
Wages and salaries	101,501	99,798	50,354	51,451
Pensions	6,898	6,836	3,640	3,587
Other social security costs	1,421	1,682	718	1,003
Other staff costs	6,697	7,491	6,088	6,977
	116,517	115,807	60,800	63,019
Average number of full-time employees	201	211	106	110
Incentive programs				
Executive members have been governed by incentive programs from Omnicom Group Inc.				
Remaining value of:				
Stock options granted 2017	170	170	170	170
Restricted stock options granted 2019	1,452	0	1,452	0
Cash incentives granted 2017	341	686	341	686
	1,963	856	1,963	856

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

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

Notes

4 Income from investments in subsidiaries

	Parent Company	
	2019	2018
Income from investments in subsidiaries	9,833	14,151
	9,833	14,151

DKK'000	Group		Parent Company	
	2019	2018	2019	2018
5 Financial income				
Interest income received from associates	0	0	0	0
Other financial income	0	448	0	0
	0	448	0	0

6 Financial expenses

Interest paid to associates	0	0	0	0
Other financial expenses	787	672	495	477
	787	672	495	477

7 Tax on profit for the year

Current tax for the year	4,807	5,922	2,089	1,896
Deferred tax for the year	32	41	-56	39
Adjustment of tax concerning previous years	0	0	0	0
	4,839	5,962	2,033	1,935

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

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8 Intangible assets

DKK'000	Group	
		Software
Cost at 1 January 2019	1,514	
Additions for the year	0	
Disposals for the year	0	
Cost at 31 December 2019	1,514	
Impairment losses and depreciation at 1 January 2019	-1,301	
Depreciation for the year	-54	
Depreciation on disposed assets	0	
Impairment losses and depreciation at 31 December 2019	-1,355	
Carrying amount at 31 December 2019	159	

DKK'000	Parent Company	
		Software
Cost at 1 January 2019	1,514	
Additions for the year	0	
Disposals for the year	0	
Cost at 31 December 2019	1,514	
Impairment losses and depreciation at 1 January 2019	-1,301	
Depreciation for the year	-54	
Depreciation on disposed assets	0	
Impairment losses and depreciation at 31 December 2019	-1,355	
Carrying amount at 31 December 2019	159	

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

Notes

9 Property, plant and equipment

	Group		
	Other fix- tures and fittings, tools and equip- ment	Lease- hold im- prove- ments	Total
DKK'000			
Cost at 1 January 2019	6,661	984	7,645
Additions for the year	592	0	592
Disposals for the year	0	0	0
Cost at 31 December 2019	7,253	984	8,237
Depreciation and impairment losses at 1 January 2019	-4,785	-444	-5,229
Depreciation for the year	-990	-197	-1,187
Depreciation on disposed assets	0	0	0
Impairment losses and depreciation at 31 December 2019	-5,775	-641	-6,415
Carrying amount at 31 December 2019	1,478	344	1,822
Of which relates to finance lease	135	0	135
Parent Company			
	Other fix- tures and fittings, tools and equip- ment	Lease- hold im- prove- ments	Total
DKK'000			
Cost at 1 January 2019	6,197	899	7,096
Additions for the year	592	0	592
Disposals for the year	0	0	0
Cost at 31 December 2019	6,789	899	7,689
Impairment losses and depreciation at 1 January 2019	-4,443	-414	-4,858
Depreciation for the year	-912	-180	-1,092
Depreciation on disposed assets	0	0	0
Impairment losses and depreciation at 31 December 2019	-5,355	-594	-5,950
Carrying amount at 31 December 2019	1,434	305	1,739
Of which relates to finance lease	135	0	135

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

Notes

DKK'000	Parent Company	
	2019	2018
10 Investments in subsidiaries		
Cost at 1 January	14,873	14,373
Additions for the year	0	500
Cost at 31 December	<u>14,873</u>	<u>14,873</u>
Revaluations at 1 January	10,696	10,545
Net profit for the year	9,977	14,151
Dividend to the Parent Company	0	-14,000
Revaluations at 31 December	<u>20,530</u>	<u>10,696</u>
Carrying amount at 31 December	<u><u>35,402</u></u>	<u><u>25,569</u></u>

Investments in subsidiaries are specified as follows:

Name/legal form	Registered office	Equity interest	Net profit for the year	
			Equity DKK'000	DKK'000
Subsidiaries:				
PHD Copenhagen A/S	Copenhagen	100%	21,146	5,214
OMD Denmark A/S	Copenhagen	100%	14,556	5,494
Hearts & Science A/S	Copenhagen	100%	-300	-731
			<u>35,402</u>	<u>9,977</u>

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

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DKK'000	Group		Parent Company	
	2019	2018	2019	2018
11 Contract work in progress				
Contract work in progress	2,733	2,862	1,286	2,343
Work in progress, payments received on account	-5,618	-4,929	-1,315	-2,801
	<u>-2,885</u>	<u>-2,067</u>	<u>-29</u>	<u>-458</u>
Recognised as follows in the balance sheet:				
Contract work in progress recognised in assets	1,930	949	798	266
Contract work in progress recognised in liabilities	-4,815	-3,016	-827	-724
	<u>-2,885</u>	<u>-2,067</u>	<u>-29</u>	<u>-458</u>
12 Deferred tax				
Deferred tax at 1 January	502	543	330	370
Deferred tax adjustment	-32	-41	56	-39
	<u>470</u>	<u>502</u>	<u>386</u>	<u>330</u>

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

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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	7,061	7,017
Lease obligations falling due within 2-5 years	2,751	2,751
	<hr/> 9,812	<hr/> 9,769

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.

DKK'000	Group		Parent Company	
	2019	2018	2019	2018
Purchase of services from group enterprises	-23,107	-14,035	-6,542	-7,792
Sale of services from group enterprises	30,687	48,149	87,634	91,151
	<hr/> 7,580	<hr/> 34,114	<hr/> 81,091	<hr/> 83,359

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.

Purchase of services from group enterprises consists of management fee, IT costs and handling fees.

Sale of services to group enterprises consists of management fee, facility services, administration services, IT costs and handling fees.

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

Notes

Controlling interest

Optimum Media Direction A/S, Midtermolen 3, 2100 Copenhagen Ø, Denmark.

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
Midtermolen 3
2100 Copenhagen Ø
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

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Peter Gottfredsen

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Serial number: PID:9208-2002-2-765052496063

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Jesper Ole Lundgren

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