Discovery Networks Denmark ApS

H.C. Andersens Boulevard 1, DK-1553 Copenhagen V

Annual Report for 2016

CVR No 20 05 29 02

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company
on 31 May 2017

Lene Rytter
Chairman

Contents

Management`s Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Discovery Networks Denmark ApS (Company) for the financial year January 1, - December 31, 2016.

The Annual Report of Discovery Networks Denmark ApS for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Annual Report has been prepared under the same accounting policies as applied for fiscal year 2015.

In our opinion the Financial Statements give a true and fair view of the financial position of the Company on December 31, 2016 and of the results of the Company's operations in 2016. The Management's Review includes a true and fair account of the matters addressed in the Review.

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

Copenhagen
31 May 2017

Executive Board

Christian Kemp
Managing Director

Board of Directors
31 May 2017

Jozef Maarten Dijkstra Chairman	Christian Sonnefeld Jørgensen	Anders Antonsen

Independent Auditor's Report on the Financial Statements

To the Shareholders of Discovery Networks Denmark ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Discovery Networks Denmark ApS for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Management's Responsibilities for the Financial Statements

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report on the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Copenhagen, 31 May 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Allan Kamp Jensen
State Authorised Public Accountant

Company Information

The Company	Discovery Networks Denmark ApS H.C Andersens Boulevard 1 DK 1553 Copenhagen V Telephone + 45 70 10 10 10 Website : www.discoverynetworks.dk CVR No: 20 05 29 02 Financial Period: January 1, – December 31, 2016 Municipality of registration office: Copenhagen
Board of Directors	Jozef Maarten Dijkstra, Chairman Anders Christian Aagaard Antonsen Christian Sonnefeld Jørgensen
Executive Board	Christian Kemp, Managing Director
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK 2900 Hellerup

Financial Highlights

Financial highlights of a five-year period:

	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK	2012 TDKK
Profit / Loss					
Revenue	1,134,936	1,060,454	967,462	940,542	928,461
Profit before financial income and expenses	89,366	160,056	274,978	242,031	264,040
Net financials	664	(17,161)	(17,725)	3,782	(1,188)
Net profit for the year	69,744	110,735	194,510	182,596	196,696
Balance Sheet					
Balance sheet total	1,077,029	1,016,664	751,322	724,111	665,701
Equity	732,888	663,144	498,653	409,143	393,722
Investment in property, plant and equipment	2,596	13,203	17,736	9,145	9,618
Number of employees	193	195	185	165	139
Ratios %					
Return on assets	8.3%	15.7%	36.6%	33.4%	39.7%
Solvency ratio	68.0%	65.2%	66.4%	56.5%	59.1%
Return on equity	10%	20.0%	42.9%	45.5%	66.6%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysis. For definitions, see under accounting policies.

Management`s Review

Main Activities

The Company operates linear TV channels broadcasted into Denmark under UK Ofcom licenses. Furthermore, the company's activities consist of ad sales and sales of sponsorships.

The revenue consists of primarily two elements: distribution revenue which is revenue from distributors (who sells TV packages to end-users) and ad sale and sponsorship revenue.

Moreover, the company supports the streaming services provided directly to end users.

The larger part of the costs is comprised of content costs. This can be divided into sports programs, foreign acquisitions and local programming.

Development in the year

The income statement of the Company for 2016 shows a profit of DKK 69,743,900 and at 31 December 2016 the balance of the Company shows equity of DKK 732,887,551.

The past year and follow up on development expectations from last year

The results for 2016 are in line with management's expectations. In management's opinion, the income statement and balance sheet with related notes provide all significant information to assess the Company's performance for the past year as well as the Company's financial position at year end.

Important changes to the company structure

February 16, 2016 Discovery Networks Denmark ApS acquired 100 % of the share capital in Eurosport Denmark ApS from Eurosport Television AB.

On April 25, 2016 the Board of Directors decided in accordance with the re-organisation plan of the Discovery Group structure to implement a vertical merger between Eurosport Denmark ApS and Discovery Networks Denmark ApS, with Discovery Networks Denmark ApS as the surviving company. The merger was retroactively effective for accounting and tax purposes on January 1, 2016.

On November 30, 2016, the shareholder decided at the extraordinary general meeting to merge Discovery Networks Denmark Holding ApS and Discovery Networks Denmark ApS, with Discovery Networks Denmark ApS as the surviving company. The merger was also effective for accounting and tax purposes on January 1, 2016.

Special risks – operating risks and financial risks

Churn
As the media industry shifts towards a more digital oriented landscape it has given rise to the prevalence of churn across the region. If this continues or worsens, as expected in Denmark, it will pose a risk to both the Affiliate and Ad Sales income streams.

Foreign exchange risks
Given that a substantial number of the Company's programmes are acquired in foreign currency, results of operations, cash flows and equity are impacted by their exchange as well as interest rate developments. No foreign currency hedging is made.

Interest rate risks
As the Company has minimal interest-bearing debt, a change of the interest rate level will be without significant direct effect on earnings.

Management`s Review (continued)

Strategy and objectives

Outlook
Over the past few years the Danish market, alongside the rest of the Nordic region, has experienced a decline in PUT (People Using Television) levels. Looking ahead, the continuation of this trend is likely to cause a downward pressure on revenues.

We expect a slightly better or flat development of revenue in 2017 compared to 2016. However, we expect to see increased costs for content investments and investment in digital transformation that will offset the impact of increased revenue. Furthermore, a considerable increase in liquidity is expected in 2017, which would primarily be used to reduce the Company's debt.

Social and environment performance
As part of Discovery Communications Inc, the Company is committed to conducting business in an ethical, socially responsible and environmentally sustainable manner consistent with Discovery Communications Inc.'s corporate policies, objectives and strategies for a continued business success.

Intellectual capital resources
It is essential to the Company's continued growth to be able to attract and retain creative and competent employees within programme, sales and marketing as well as other in-house services.

Subsequent events

May 4, 2017 Discovery Networks Denmark issued a press release announcing restructuring at the company which would result in the termination of 18 roles. With the changing media environment, the transformation would allow the Company to further invest in content, sports rights and digital platforms.

Income statement 1 January - 31 December

	Note	2016	2015
		DKK	DKK
Revenue		1,134,936,135	1,060,453,861
Other Operating Income		-	200,000
Other External Expenses		(262,122,220)	(199,321,847)
Gross profit		**872,813,915**	**861,332,014**
Staff Expenses	1	(125,476,206)	(132,605,923)
Depreciation, amortisation and impairment assets and property, plant and equipments	2	(657,971,658)	(568,670,434)
Profit before financial income and expenses		**89,366,050**	**160,055,657**
Financial Income	3	6,236,458	2,056,112
Financial expenses	4	(5,572,703)	(19,217,520)
Profit before tax		**90,029,806**	**142,894,249**
Tax on profit for the year	5	(20,285,906)	(32,233,190)
Net profit for the year	9	**69,743,900**	**110,661,059**

Balance Sheet

	Note	31-12-2016	31-12-2015
		DKK	DKK
Assets			
Goodwill		23,317,915	22,613,525
Content Rights, prepayments		166,768,975	155,706,353
Content Rights		450,003,375	390,142,901
Intangible assets	6	**640,090,264**	**568,462,779**
Plant and Machinery		15,534,291	20,287,211
Other fixtures and fittings, tools and equipment		222,811	665,913
Leasehold improvements		4,892,648	5,642,866
Asset under construction		31,592	850,486
Property, plant and equipment	7	**20,681,343**	**27,446,476**
Fixed assets		**660,771,607**	**595,909,255**
Trade receivables		268,751,467	224,036,205
Receivables from group enterprises		15,781,820	64,079,724
Other receivables		13,486,323	16,640,812
Prepayments		2,905,201	11,472,540
Receivables		**300,924,809**	**316,229,280**
Cash at bank and in hand		115,332,508	104,525,780
Current assets		**416,257,317**	**420,755,061**
Assets		**1,077,028,924**	**1,016,664,315**

Balance Sheet

	Note	31-12-2016	31-12-2015
		DKK	DKK
Liabilities and equity			
Share capital		2,000,000	2,000,000
Net effect from merger and acquisition under the uniting of interest method		53,755,500	53,755,500
Proposed dividend for the year		60,000,000	-
Retained earnings		617,132,051	607,388,151
Equity	**8**	**732,887,551**	**663,143,651**
Provision for deferred tax		28,654,784	27,900,000
Other provisions		6,810,861	6,831,660
Provisions		**35,465,645**	**34,731,660**
Payables to group enterprises		-	22,366,985
Lease obligations	10	368,334	884,474
Long term debt		**368,334**	**23,251,459**
Trade payables		149,553,541	157,948,800
Payables to group enterprises		74,236,150	58,026,327
Corporation tax, joint taxation		16,359,394	13,866,622
Other payables		67,485,700	65,105,854
Lease obligations	10	672,609	589,943
Short term debt		**308,307,394**	**295,537,545**
Debt		**308,675,728**	**318,789,004**
Liabilities and equity		**1,077,028,924**	**1,016,664,315**

Contingent assets, liabilities and other financial obligations	11
Fee to auditors appointed at the general meeting	12
Related parties and ownership	13
Accounting policies	14

Statement of Changes in Equity

	Share Capital	Retained Earnings	Dividend	Total
	DKK	DKK	DKK	DKK
Equity at 1 January 2016	2,000,000	607,388,151	-	609,388,151
Net effect from merger and acquisition under the uniting of interest method	-	53,755,500	-	53,755,500
Adjusted equity at 1 January 2016	2,000,000	661,143,651	-	663,143,651
Net profit for the year	-	9,743,900	60,000,000	69,743,900
Equity at 31 December 2016	2,000,000	670,887,551	60,000,000	732,887,551

Notes to the Annual Report

1 Staff Expenses

	2016 DKK	2015 DKK
Wages and salaries	116,606,886	124,792,392
Pensions	7,311,765	5,494,902
Other social security expenses	1,557,555	2,318,628
	125,476,206	**132,605,923**
Average number of employees	193	195

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B (3) of the Danish Financial Statements Act.

2 Depreciation, amortization and impairment of intangible assets and property, plant and equipment

	2016 DKK	2015 DKK
Depreciation of intangible assets	632,925,379	545,116,671
Depreciation of property, plant and equipments	9,069,650	9,018,650
Impairment of intangible assets	15,976,629	14,535,113
	657,971,658	**568,670,434**

3 Financial Income

	2016 DKK	2015 DKK
Exchange gains	6,236,458	2,056,112
	6,236,458	**2,056,112**

Notes to the Annual Report (continued)

4 Financial Expenses

	2016	2015
	DKK	DKK
Other financial expenses	1,061,133	841,442
Exchange loss	4,511,570	18,376,078
	5,572,703	**19,217,520**

5 Tax on profit for the year

	2016	2015
	DKK	DKK
Current tax for the year	19,531,122	14,044,938
Deferred tax for the year	754,784	18,114,252
	20,285,906	**32,159,190**

6 Intangible assets

	Content Rights, prepayments	Content Rights	Goodwill
	DKK	DKK	DKK
Cost at 1 January	155,706,353	1,230,523,268	24,058,372
Adjustment for the beginning of the year	-	463,063	-
Additions for the year	58,216,065	320,125,890	2,960,128
Disposals for the year	-	(305,240,865)	-
Transfers for the year	(47,153,443)	47,153,443	-
Cost at 31 December	166,768,975	1,293,024,799	27,018,500
Impairment losses and amortisation at 1 January	-	840,380,368	1,444,847
Adjustment for the beginning of the year	-	-	-
Amortisation for the year	-	307,205,957	2,255,739
Reversal of amortisation of disposals	-	(304,564,900)	-
Impairment losses and amortisation at 31 December	-	843,021,425	3,700,585
Carrying amount at 31 December	166,768,975	450,003,375	23,317,915

Notes to the Annual Report (continued)

7 Property, plant and equipment

	Plant and Machinery	Other fixtures and fittings, tools and equipment	Leasehold Improvements	Asset Under Construction
	DKK	DKK	DKK	DKK
Cost at 1 January	38,773,221	2,292,210	8,843,113	850,486
Additions for the year	1,594,744	-	969,492	31,592
Disposals	-	(136,747)	-	-
Transfers	850,486	-	-	(850,486)
Cost at 31 December	41,218,451	2,155,463	9,812,605	31,592
Impairment losses and amortisation at 1 January	18,543,552	1,626,298	3,200,246	-
Dereciation for the year	7,140,609	306,355	1,719,708	-
Transfers	3,706,412	(3,706,412)	-	-
Impairment losses and depreciation at 31 December	29,390,573	(1,773,760)	4,919,955	-
Carrying amount at 31 December	11,827,878	3,929,223	4,892,650	31,592
Including assets under finance leases amounting to	-	985,485	-	-

8 Equity

The nominal value of share capital of the Company is DKK 2,000,000 divided into 2,000 shares of nominal value of DKK 1,000 each. All shares are fully issued and paid up. One share of DKK 1,000 holds one vote. The share capital is owned 100 % by Discovery Communications Nordic ApS (cvr no. 21858609).

9 Distribution of profit

	2016	2015
	DKK	DKK
Proposed distribution of profit		
Proposed dividend for the year	60,000,000	-
Retained earnings	9,743,900	110,661,059
	69,743,900	110,661,059

Notes to the Annual Report (continued)

10 Lease obligations

Payments due within 1 year are recognized in short term debt. Other debt is recognized in long term debt.

The debt falls due for payment as specified below

	2016	2015
	DKK	DKK
Between 1 and 5 years	368,334	884,474
Within 1 year	672,609	589,943
	1,040,944	**1,474,417**

11 Contingent assets, liabilities and other financial obligations

Rental agreements and leases

Lease obligations under operating leases. Total future lease payments;

	2016	2015
	DKK	DKK
Within 1 year	9,470,897	10,466,543
Between 1 and 5 years	22,019,156	3,930,269
After 5 years	-	-
	31,490,053	**14,396,812**

Contractual agreements

As of December 31, 2016, the Company has entered into contracts regarding future programming rights, which are not recognized in the balance sheet. The contingencies hereof amount to a total liability DKK 1,219m of which DKK 417m falls due within one year and DKK 31m falls due after 5 years.

Contingent liabilities

The Company is subject to joint taxation with it's sole shareholder Discovery Communications Nordic ApS (cvr no. 21858609). The two companies are jointly and severally liable for tax from the income year 2013 and onwards.

The Company is claiming damages by means of litigations. The claims may have a material financial effect on the Company but are subject to significant uncertainty as to the outcome and timing of the effect. At present, it is not possible to make and estimate in this respect.

For other contracts the total liability amounts to DKK 4.6m.

Notes to the Annual Report (continued)

12 Fee to auditors appointed at the general meeting

Disclosure on fees paid to auditors appointed at the annual general meeting is omitted in accordance with section 96 (3) of the Danish Financial Statements Act.

13 Related parties and ownership

Controlling interest

Discovery Communications Nordic ApS H.C. AndersenS Boulevard 1 1553 Copenhagen V Denmark	Shareholder

The Company does not prepare consolidated financial statements pursuant to section 112 (1) of the Danish Financial Statements Act. The Company's ultimate parent, which prepares consolidated financial statements into which the Company is consolidated as a subsidiary, is Discovery Communications Inc, 1 Discovery Pl, Silver Spring, MD 20910, USA. Discovery Communications Inc

The Group Annual Report of Discovery Communications Inc. may be obtained at the following address: Discovery Communications Inc, 1 Discovery Pl, Silver Spring, MD 90210, USA

14 Accounting Policies

Basis of Preparation

The Annual Report of Discovery Networks Denmark ApS for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Company has committed to disclose revenue distributed on business segments in accordance with section 96(1), sentence 3 of the Danish Financial Statements Act as the disclosure of such information could cause significant damage to the company.

The accounting policies applied remain unchanged from last year.

The Annual Report for 2016 is presented in DKK.

Merger

The accounting method adopted for the merger of Discovery Networks Denmark Holding ApS and Discovery Networks Denmark ApS was the Uniting of Interest Method. The merger was accomplished through the use of equity. The assets and liabilities of Discovery Networks Denmark Holding ApS were consolidated into Discovery Networks Denmark ApS using book value. Since Discovery Networks Denmark ApS merged with its own parent company (Discovery Networks Denmark Holding ApS) the 2015 comparative figures were adjusted using the consolidation method.

The Uniting of Interest Method was also applied to the merger between Eurosport Denmark ApS and Discovery Networks Denmark ApS. As this was also a vertical merger the 2015 comparative figures were adjusted to include Eurosport Denmark ApS balances using the consolidation method.

As a result of adjusting the 2015 comparative figures using the consolidation method, the combined impact to equity is DKK 53,755,500.

Notes to the Annual Report (continued)

14 Accounting Policies (continued)

Cash Flow Statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Discovery Communications Inc., the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognized in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortized costs are recognized.

Moreover, all expenses incurred to achieve the earnings for the year are recognized in the income statement, including depreciation, amortization, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognized in the income statement.

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

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

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

Danish Kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

Leases

Leases in which the Company assumes all the risk and reward of ownership (finance leases) are recognized in the balance sheet as the lower of either the fair value of the leased asset or the net present value of the lease payments. Net present value of the lease payments is computed by applying the interest rate implicit in the lease or using an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalized and recognized in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognized in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognized in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognized in financial income and expenses in the income statement.

Notes to the Annual Report (continued)

14 Accounting Policies (continued)

Income Statement

Revenue

Revenue from the sale of TV services and commercial time is recognised in the income statement when delivery and transfer of risk has been made before year end and that the income can be measured reliably and is expected to be received. Revenue is measured ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Other external expenses

Other external expenses comprise distribution costs and costs incurred in respect of sales, advertising, administration, office premises, bad debt losses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortization, depreciation and impairment losses

Amortization, depreciation and impairment losses comprise amortization, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

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

Financial income and expenses

Financial income and expenses comprise interest income and expense, finance lease payments, gain and losses on payables and transactions denominated in foreign currencies, amortization of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognized in the income statement, whereas the tax attributable to equity transactions is recognized directly in equity.

The Company is jointly taxed with its Danish group enterprises. Discovery Communications Nordic ApS acts as Management Company. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Notes to the Annual Report (continued)

14 Accounting Policies (continued)

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortization. Goodwill is amortized on a straight-line basis over its useful life, which is assessed at 5 years.

Programme rights comprise acquired programme rights, programmes ordered and prepayments of programmes.

Programme rights are recognised when the license period has begun and are measured at cost less accumulated amortisation 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.

Amortisations equal the consumption of programme rights and begin at the date of the first broadcast, depending on the number of broadcasts permitted or planned, respectively. Amortisations are made using a diminishing balance method based on the number of broadcasts calculated based on a standardized pattern of consumption. For programme rights intended for only one broadcast, the total value is amortised at the date of the broadcast.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets' which are;

Plant and machinery	5 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold Improvements	5 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 12,900 are expensed in the year of acquisition.

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 operation costs, respectively.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortization and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount and the asset is written down to its lower recoverable amount. This impairment test is performed on an annual basis for development projects in progress, irrespective of any indication of impairment.

Notes to the Annual Report (continued)

14 Accounting Policies (continued)

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity - Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognized when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realized, either by elimination in tax on future earnings or by set- off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognized in the income statement or in equity if the deferred tax relates to items recognized in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Notes to the Annual Report (continued)

14 Accounting Policies (continued)

Financial debts

Other debts are measured at amortized cost, substantially corresponding to nominal value.

Financial Highlights	Explanation of financial ratios
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$