
MEC Denmark A/S

Kristen Bernikows Gade 1, 4., DK-1105 Copenhagen
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Annual Report for 1 January - 31 December 2016

CVR No 21 83 64 00

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
6 /6 2017

Lars Petersen
Chairman

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of MEC Denmark A/S for the financial year 1 January - 31 December 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and of the results of the Company operations for 2016.

In our opinion, 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

Thomas Nolsøe
Executive Officer

Board of Directors

Jonas von Barnekow Benzon
Hemmingsen
Chairman

Claus Dahl Andersen

Thomas Nolsøe

Independent Auditor's Report

To the Shareholder of MEC Denmark A/S

Opinion

We have audited the Financial Statements of MEC Denmark A/S 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. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

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

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

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 judgement and maintain professional scepticism 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.

Independent Auditor's Report

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 Financials 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.

Copenhagen, 31 May 2017

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No 33 96 35 56

Kim Takata Mücke
State Authorised Public Accountant

Morten Jarlbo
State Authorised Public Accountant

Company Information

The Company

MEC Denmark A/S
Kristen Bernikows Gade 1, 4.
DK-1105 Copenhagen C

CVR No: 21 83 64 00
Financial period: 1 January - 31 December
Municipality of reg. office: Copenhagen

Board of Directors

Jonas von Barnekow Benzon Hemmingsen, Chairman
Claus Dahl Andersen
Thomas Nolsøe

Executive Board

Thomas Nolsøe

Auditors

Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK-0900 Copenhagen C

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK	2012 TDKK
Key figures					
Profit/loss					
Revenue	432,802	491,700	452,964	587,860	574,769
Gross profit/loss	31,078	32,237	32,972	29,497	24,536
Operating profit/loss	(554)	(1,267)	(1,083)	(3,409)	(11,817)
Net financials	966	1,590	480	(18)	201
Net profit/loss for the year	101	317	(514)	(2,470)	(8,622)
Balance sheet					
Balance sheet total	82,087	90,101	109,020	135,603	151,582
Investments in property, plant and equipment	0	17	0	145	16
Equity	28,335	28,234	20,867	23,555	26,025
Ratios					
Net margin	0.0 %	0.1 %	(0.1)%	(0.4)%	(1.5)%
Gross margin	7.2 %	6.6 %	7.3 %	5.0 %	4.3 %
Solvency ratio	34.5 %	31.3 %	19.1 %	17.4 %	17.2 %
Return on equity	0.4 %	1.3 %	(2.3)%	(10.0)%	(28.4)%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts 2015. For definitions, see under accounting policies.

Management's Review

Key activities

The Entity's core business areas are media & content activities comprising specialist skills within consulting, planning, content, negotiation, traffic handling, implementation and measurement of the return on media investments for advertisers and advertising agencies.

Development in the year

The income statement of the Company for 2016 shows a profit of TDKK 101, and at 31 December 2016 the balance sheet of the Company shows equity of TDKK 28,335.

The digital transformation of our clients, have led to a change in priority of media channels, from traditional high spending broadcast channels to more targeted digital channels. This affects our revenue (billings) and explains the decrease of revenue from 2015 to 2016.

This change in the media landscape and our client's needs, sparked a restructure of the agency, from a traditional hierarchical organization, to a tasks based client centric structure.

As a result, we have invested in new competences, tools and skillsets, however our profit has been affected negatively by the related severance costs and investments in our product.

The financial performance is satisfactory, given the circumstances of the restructure and investments.

Particular risks

Business risks

The Entity's main business risks relate to the business sector's investments in media and marketing activities. Consequently, the development of the Entity is dependent on the general financial climate for enterprises in Denmark.

Outlook

We are already experiencing the positive effects of the changes. The year have started with significant wins of new clients, especially within retail.

The new focus of the agency also shows a positive trend with more services purchased from existing clients.

Finally, the marketplace have reacted positively, propelling MEC from a 7th place in 2016 to 4th place in 2017 in the industry survey MyResearch.

The Entity expects positive development for 2017.

Management's Review

Intellectual capital resources

A substantial part of the Entity's business hinges on the existence of certain staff resources and tools, which have been further developed throughout the year, both in terms of value-based management and with respect to processes and structures for knowledge-based work.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2016 TDKK	2015 TDKK
Revenue		432,802	491,700
Cost of sales		(366,374)	(424,745)
Other external expenses		<u>(35,350)</u>	<u>(34,718)</u>
Gross profit/loss		31,078	32,237
Staff expenses	1	(31,603)	(33,098)
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	<u>(29)</u>	<u>(406)</u>
Profit/loss before financial income and expenses		(554)	(1,267)
Financial income	3	1,463	1,981
Financial expenses	4	<u>(497)</u>	<u>(391)</u>
Profit/loss before tax		412	323
Tax on profit/loss for the year	5	<u>(311)</u>	<u>(6)</u>
Net profit/loss for the year		<u>101</u>	<u>317</u>

Distribution of profit

Proposed distribution of profit

Retained earnings	<u>101</u>	<u>317</u>
	<u>101</u>	<u>317</u>

Balance Sheet 31 December

Assets

	Note	2016 TDKK	2015 TDKK
Other fixtures and fittings, tools and equipment		35	55
Leasehold improvements		24	33
Property, plant and equipment	6	59	88
Deposits		40	41
Fixed asset investments	7	40	41
Fixed assets		99	129
Trade receivables		39,942	43,829
Contract work in progress		605	714
Receivables from group enterprises		40,118	43,688
Other receivables		467	108
Deferred tax asset	10	299	182
Corporation tax		0	361
Prepayments	8	317	352
Receivables		81,748	89,234
Cash at bank and in hand		240	738
Currents assets		81,988	89,972
Assets		82,087	90,101

Balance Sheet 31 December

Liabilities and equity

	Note	2016 TDKK	2015 TDKK
Share capital		24,550	24,550
Retained earnings		3,785	3,684
Equity	9	28,335	28,234
Prepayments received from customers		3,548	4,078
Trade payables		39,992	51,640
Payables to group enterprises		2,531	443
Corporation tax		269	0
Other payables	11	7,412	5,706
Short-term debt		53,752	61,867
Debt		53,752	61,867
Liabilities and equity		82,087	90,101
Contingent assets, liabilities and other financial obligations	12		
Related parties	13		
Accounting Policies	14		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	24,550	3,684	28,234
Net profit/loss for the year	0	101	101
Equity at 31 December	24,550	3,785	28,335

Notes to the Financial Statements

	2016 TDKK	2015 TDKK
1 Staff expenses		
Wages and salaries	29,510	31,195
Pensions	1,574	1,448
Other social security expenses	405	362
Other staff expenses	114	93
	31,603	33,098

Average number of employees	56	62
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Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

The Executive Board and senior officers at MEC Denmark A/S are participating in the WPP Group's share option programmes. The programmes have been entered with WPP Plc. and MEC Denmark A/S not impacted financially.

	2016 TDKK	2015 TDKK
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation of property, plant and equipment	29	406
	29	406

3 Financial income		
Interest received from group enterprises	0	161
Other financial income	118	305
Exchange gains	1,345	1,515
	1,463	1,981

4 Financial expenses		
Interest paid to group enterprises	305	218
Other financial expenses	79	93
Exchange adjustments, expenses	113	80
	497	391

Notes to the Financial Statements

	2016 TDKK	2015 TDKK
5 Tax on profit/loss for the year		
Current tax for the year	311	19
Deferred tax for the year	(117)	0
Adjustment of tax concerning previous years	117	(13)
	311	6

6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment TDKK	Leasehold improvements TDKK
Cost at 1 January	7,938	2,923
Cost at 31 December	7,938	2,923
Impairment losses and depreciation at 1 January	7,883	2,890
Depreciation for the year	20	9
Impairment losses and depreciation at 31 December	7,903	2,899
Carrying amount at 31 December	35	24

7 Fixed asset investments

	Deposits TDKK
Cost at 1 January	41
Disposals for the year	(1)
Cost at 31 December	40
Carrying amount at 31 December	40

8 Prepayments

Prepayments comprise prepayments of various subscriptions, rent, water, heating and electricity, etc and total DKK 317 thousand (DKK 352 thousand in 2015).

Notes to the Financial Statements

9 Equity

The share capital is broken down as follow:

	Number	Nominal value TDKK
Ordinary Shares	1	23,500
Ordinary Shares	2	500
Ordinary Shares	1	50
		24,050

The share capital has developed as follows:

	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK	2012 TDKK
Share capital at 1 January	24,550	24,500	24,500	24,500	24,500
Capital increase	0	50	0	0	0
Capital decrease	0	0	0	0	0
Share capital at 31 December	24,550	24,550	24,500	24,500	24,500

10 Deferred tax asset

	2016 TDKK	2015 TDKK
Property, plant and equipment	-145	-182
Other liabilities	-154	0
Transferred to deferred tax asset	299	182
	0	0
Deferred tax asset		
Calculated tax asset	299	182
Carrying amount	299	182

Notes to the Financial Statements

	2016 TDKK	2015 TDKK
11 Other payables		
Value added tax etc	835	541
Wages and salaries, personal income taxes, social security costs, etc.	2,020	999
Holiday pay obligation	3,089	3,017
Other debt	1,468	1,149
	7,412	5,706

12 Contingent assets, liabilities and other financial obligations

Contingent liabilities

Commitments under rental agreements or leases until expiry	911	1,132
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The Companies MEC Denmark Holding A/S, MEC Denmark A/S, Outrider A/S and Maxus A/S have provided a counter-guarantee of DKK 14,500 thousand in favour of the companies' banker. The guarantee is provided for the Security Fund of the Danish Association of Advertising and Relationship Agencies in order to compensate the companies' obligations in relation to owners of papers and magazines and a specified group of Danish media owners, respectively.

The Company participates in a Danish joint taxation arrangement in which WPP Holding Denmark A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

13 Related parties

	Basis
Controlling interest	
MEC Denmark Holding A/S	Shareholder

Notes to the Financial Statements

13 Related parties (continued)

Transactions

Transactions with related parties are conducted on market terms.

Consolidated Financial Statements

Name and registered office of the Parent preparing consolidated financial statements for the smallest and largest group:

Name	Place of registered office
WPP Plc.	27 Farm Street, W17 5RJ, London, England

The Group Annual Report of may be obtained at the following address: www.wppinvestor.com

Notes to the Financial Statements

14 Accounting Policies

The Annual Report of MEC Denmark A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2016 are presented in TDKK.

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 The Group Annual Report of may be obtained at the following address: www.wppinvestor.com, the Company has not prepared a cash flow statement.

Recognition and measurement

Assets are recognised 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 recognised 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.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Leases

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

Notes to the Financial Statements

14 Accounting Policies (continued)

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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 rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Revenue from the sale of media is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Consultancy services are included in revenue based on the stage of completion so that revenue corresponds to the sales value of the work performed in the financial year (the percentage-of-completion method).

Cost of sales

Cost of sales comprises consumed use of media to achieve the revenue for the year. Cost of sales includes received discounts, etc.

Other external expenses

Other external expenses comprise expenses for premises, stationery and office supplies, marketing costs and services provided by group related companies etc. This item also includes write-downs of receivables recognised in current assets.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses including social security contributions, pension contributions etc.

Notes to the Financial Statements

14 Accounting Policies (continued)

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses relating to property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of property, plant and equipment.

Financial income and expenses

Other financial income comprises interest income, including interest income on receivables from group enterprises, net foreign exchange gains, as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net foreign exchange losses, as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

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

The Company is jointly taxed with the other WPP companies in Denmark. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

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.

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:

Other fixtures and fittings, tools and equipment	5	years
Leasehold improvements	3-5	years

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

14 Accounting Policies (continued)

Fixed asset investments

Fixed asset investments consist of Deposits.

Cash pool

The Company is part of a cash pool scheme with other Danish WPP companies. Consequently, a considerable portion of the Company's bank deposits and debt is included in receivables from and payables to group enterprises, respectively.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Contract work in progress

Contract work in progress regarding service is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepaid expenses concerning incurred costs relating to subsequent financial years. Prepayments are measured at cost.

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 realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax

Notes to the Financial Statements

14 Accounting Policies (continued)

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 recognised in the income statement or in equity if the deferred tax relates to items recognised 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.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods or service agreed.

Financial Highlights

Explanation of financial ratios

Gross margin

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

Net margin

$$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$$

Solvency ratio

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

Return on equity

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