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# ***Wavemaker A/S***

Holmbladsgade 133, DK-2300 Copenhagen S

## **Annual Report for 1 January - 31 December 2021**

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CVR No 21 83 64 00

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
16/6 2022

Mikkel Baaring Lerche  
Chairman of the General  
Meeting

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# **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Wavemaker A/S for the financial year 1 January - 31 December 2021.

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 2021 of the Company and of the results of the Company operations for 2021.

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, 16 June 2022

## **Executive Board**

Kristian Bæk-Mikkelsen  
Executive Officer

## **Board of Directors**

Jonas von Barnekow Benzon  
Hemmingsen  
Chairman

Pia Tellefsen

Kristian Bæk-Mikkelsen

# Independent Auditor's Report

To the Shareholder of Wavemaker A/S

## Opinion

We have audited the Financial Statements of Wavemaker A/S for the financial year 1 January - 31 December 2021, 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 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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.

## 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.

# Independent Auditor's Report

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.

## 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.

## **Independent Auditor's Report**

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, 16 June 2022

**Deloitte**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 96 35 56*

Lars Hansen

State Authorised Public Accountant

mne24828

## Company Information

### **The Company**

Wavemaker A/S  
Holmbladsgade 133  
DK-2300 Copenhagen S

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

### **Board of Directors**

Jonas von Barnekow Benzons Hemmingsen, Chairman  
Pia Tellefsen  
Kristian Bæk-Mikkelsen

### **Executive Board**

Kristian Bæk-Mikkelsen

### **Auditors**

Deloitte  
Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
DK-2300 Copenhagen S

# Financial Highlights

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

	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	683.385	549.842	579.243	628.913	632.677
Gross profit/loss	58.835	42.658	45.937	50.837	47.696
Operating profit/loss	17.204	5.133	8.168	8.658	724
Net financials	-141	-29	58	303	334
Net profit/loss for the year	13.273	3.966	6.422	6.956	842
<b>Balance sheet</b>					
Balance sheet total	186.089	170.465	123.774	129.118	125.137
Equity	63.926	50.653	46.687	40.265	33.309
Investment in property, plant and equipment	26	59	0	213	182
Number of employees	75	69	73	83	89
<b>Ratios</b>					
Gross margin	8,6%	7,8%	7,9%	8,1%	7,5%
Profit margin	2,5%	0,9%	1,4%	1,4%	0,1%
Solvency ratio	34,4%	29,7%	37,7%	31,2%	26,6%
Return on equity	23,2%	8,1%	14,8%	18,9%	2,6%

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



# Management's Review

## Key activities

We believe there always is a better way to grow. We positively provoke growth for our clients by reshaping consumer decision-making and experiences through media, content and technology. The Wavemaker way is globally consistent. Fueled by the world's most powerful consumer data, we understand where and how marketing can intervene decisively to help brands win more sales. Our 7,200 people across 90 markets have the deep knowledge, confidence and courage to provoke growth for some of the world's leading brands and businesses. We are a part of GroupM, WPP's global media investment management company.

The Entity's core business areas are media, content and technology including specialist skills within business consulting, eCommerce & development, strategy & communications planning, data & tech planning, content development, SoMe and Influencer marketing, negotiation, traffic handling, implementation, and measurement of the return on media and marketing investments for advertisers.

## Development in the year

The income statement of the Company for 2021 shows a profit of TDKK 13,273, and at 31 December 2021 the balance sheet of the Company shows equity of TDKK 63,926.

The forecast for 2021 showed a low single digit organic growth rate. The Company's revenue for the financial year 2021 was TDKK 683.385, which exceeded the expected revenue range from TDKK 560.000 to TDKK 590.000. This represents an increase of 24% from 2020 where the revenue amounted to TDKK 549.842.

The expectation in result before tax was between TDKK 4.000 and TDKK 5.000. The Company's result before tax for the financial year 2021 was TDKK 17.063.

The significant increase in profit, compared to 2020, is due to significant Nordic and local client wins and equally significant growth in diversity of products and services sold to our clients. 2021 saw the reopening of Denmark and it was a year that rebooted both the economy and Wavemaker from the slower growth of 2020, due to Covid-19. We saw increased activity from clients across the board. We developed, launched and sold new high margin business areas such as eCommerce and Marketing Consulting Services as we continue to deepen our engagement with our client base. The growth in the activity, combined with a lower growth of operating expenses and staff expenses in 2021 driven by remaining Covid-19 restrictions led to a more significant result than forecasted.

This diversification follows our longer-term strategy to transform our agency from a more classical media agency to a marketing service consultancy, servicing clients from an outcome driven platform of seamlessly integrated marketing services, emphasizing the expert consultancy around the marketing products and services.

Wavemaker again won acclaim in the media agency image survey (MyImage) improving awareness standings and winning several benchmark categories, incl. best digital offer.

## **Management's Review**

2021 was a year where Wavemaker Denmark broke our own records in terms of employee satisfaction, client satisfaction, client growth and profitability. The financial performance is more than satisfactory and exceeded our expectations for 2021.

### **Data Ethics**

The Company recognise the obligation for responsible collection, management, use and protection of data. We are transparent regarding our ethical decision-making process and educate our people on ethical data use. We share our approach with our stakeholders including share owners, clients, our own people, and vendors.

We work with many categories of data and uses the term data in its broadest sense. We include within this definition client data, consumer data and all information and data related to the operation of our business.

We take the confidentiality and safe handling of Client and Client consumer data for all our Clients very seriously. We work under a documented security and privacy policy distributed to all staff at the time of employment and communicated to all employees annually. This is supplemented by Information Security Awareness Training requiring all employees to comply with a code of business conduct prohibiting disclosure of Client confidential information.

As part of our governance, risk and compliance program, it is essential to abide by the IT security policies, procedures and controls implemented and in operation to be effective and to ensure confidentiality, integrity and availability. We operate under WPP Data Privacy and Security Charter ("The Charter"). The Charter includes policies for data ethics, artificial intelligence and privacy and a bespoke standard set of controls (General Computing Controls (GCCs)) developed by WPP to be used on a global basis, derived from industry recognized standards and best practice including but not limited to ISO 27001, ITIL, COSO and COBIT and deemed appropriate for our industry. The controls include, but are not limited to, access management, physical security, server room access, network access security, malware prevention and monitoring, encryption, secure data backup & recovery, business continuity, secure data disposal, mobile device security, acceptable use, and awareness training. We represent our level of compliance with The Charter by performing self-assessments and participating in related audits in line with WPP's internal assurance program.

### **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.

# Management's Review

## Outlook

On our road to transforming our agency into a Nordic marketing service consultancy, we expect to continue harvesting benefits from diversified services and business optimization. Growth, creativity and pursuing new ventures through horizontal and vertical integration are the core tenants of our business strategy. We expect to beat the market and will pursue growth through continued focus on client growth and centricity, new high margin business areas and partnerships and new clients across the Nordic region.

The Ukraine war has led to new uncertainties for our outlook as inflation increases, supply chains are under pressure and consumer confidence decreases and we expect it may result in some of our clients decreasing marketing activity. In addition, we feel pressure on staff cost due to both the higher inflation and the shortage of available talents. This is counterbalanced by a very strong start to 2022 and despite the Ukraine war, revenue is expected to increase in relations to 2021 but profit levels are expected to be lower for 2022.

The forecast for 2022 shows revenue at a cautious low double-digit organic growth rate. Our expected revenue ranges from TDKK 700.000 to TDKK 770.000. This is a realistic target when seen in the light of the current inflation in Denmark caused by the war between Russia and Ukraine. The growth is primarily expected to take place in higher spend from existing clients and from more diversified revenues streams such as creative production, analysis and marketing automation.

## 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.

## Statement on inclusion and diversity

The Company wants to encourage diversity and create equal opportunities for all at all levels of our company. We continue to monitor, survey, and calibrate conditions to ensure equal opportunity.

With employees from 20+ nationalities with different cultural and ethnic backgrounds, we are proud to offer a truly diverse working environment.

# Management's Review

## Statement of corporate social responsibility

We recognize the major threat that climate change and environmental degradation pose to global social and economic development. We support urgent action to tackle the climate crisis through the Paris Agreement. Our ongoing environmental management program is to reduce our carbon emissions and broader environmental impact, while helping us to identify and mitigate climate-related risk. The program reduces costs and business risks, while meeting our clients' and colleagues' expectations.

By being part of the global WPP Group, we are privileged to work with many pioneers of sustainable business, helping our clients to create brands with purpose and to embed sustainability into products, marketing and communications.

A statement regarding the Company's policies, actions and results within matters relating to CSR appears from the annual report of the ultimate Parent, WPP Plc. who is a member of the United Nations Global Compact and committed to its 10 principles.

The WPP Group provides a clear policy framework which is included in the WPP Policy Book. These policies are cascaded to employees through regular communication and online training modules.

For full details we refer to the annual report of the ultimate Parent, WPP Plc.

<https://www.wpp.com/investors>

## Statement on gender composition

At 31 December 2021, the gender balance of the Company showed a percentage of women of 64,8% and a percentage of men of 35,2%. This has changed from 56,5% women and 43,5% men in 2020. Our overall workforce has a female skewed gender balance, due to our client composition.

At 31 December 2021, the Executive Board is composed of 9 members out of which three are women (33%). The Board of Directors is composed of 3 directors out of which one is a woman (33%). It is the overall and long-term objective of the Company to maintain an equal balance between the genders at management level, by continuously attracting and retaining women and developing them to join the management group.

## 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	2021 TDKK	2020 TDKK
<b>Revenue</b>		<b>683.385</b>	<b>549.842</b>
Cost of sales		-573.363	-460.867
Other external expenses		-51.187	-46.317
<b>Gross profit/loss</b>		<b>58.835</b>	<b>42.658</b>
Staff expenses	2	-41.604	-37.512
Depreciation, amortisation and impairment of property, plant and equipment		-27	-13
<b>Profit before financial income and expenses</b>		<b>17.204</b>	<b>5.133</b>
Financial income	3	1.256	529
Financial expenses	4	-1.397	-558
<b>Profit before tax</b>		<b>17.063</b>	<b>5.104</b>
Tax on profit/loss for the year	5	-3.790	-1.138
<b>Net profit/loss for the year</b>		<b>13.273</b>	<b>3.966</b>

# Balance Sheet 31 December

## Assets

	Note	2021 TDKK	2020 TDKK
Other fixtures and fittings, tools and equipment		45	37
Leasehold improvements		32	40
<b>Property, plant and equipment</b>	6	<b>77</b>	<b>77</b>
Deposits		41	41
<b>Fixed asset investments</b>	7	<b>41</b>	<b>41</b>
<b>Fixed assets</b>		<b>118</b>	<b>118</b>
Trade receivables		122.522	131.704
Contract work in progress	8	25	314
Receivables from group enterprises		62.878	37.211
Other receivables		313	923
Deferred tax asset	12	155	194
Prepayments	9	78	1
<b>Receivables</b>		<b>185.971</b>	<b>170.347</b>
<b>Currents assets</b>		<b>185.971</b>	<b>170.347</b>
<b>Assets</b>		<b>186.089</b>	<b>170.465</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2021 TDKK	2020 TDKK
Share capital	10	24.600	24.600
Retained earnings		39.326	26.053
<b>Equity</b>		<b>63.926</b>	<b>50.653</b>
Other payables		0	3.069
<b>Long-term debt</b>	13	<b>0</b>	<b>3.069</b>
Prepayments received from customers		14.743	12.049
Trade payables		82.017	79.513
Contract work in progress, liabilities	8	17.178	13.323
Payables to group enterprises		144	572
Corporation tax		457	511
Other payables	13,14	7.624	10.775
<b>Short-term debt</b>		<b>122.163</b>	<b>116.743</b>
<b>Debt</b>		<b>122.163</b>	<b>119.812</b>
<b>Liabilities and equity</b>		<b>186.089</b>	<b>170.465</b>
Subsequent events	1		
Distribution of profit	11		
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
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## Statement of Changes in Equity

	Share capital TDKK	Retained earnings TDKK	Total TDKK
<b>2021</b>			
Equity at 1 January	24.600	26.053	50.653
Net profit/loss for the year	0	13.273	13.273
<b>Equity at 31 December</b>	<b>24.600</b>	<b>39.326</b>	<b>63.926</b>
<b>2020</b>			
Equity 1. januar	24.600	22.087	46.687
Net profit/loss for the year	0	3.966	3.966
<b>Equity at 31 December</b>	<b>24.600</b>	<b>26.053</b>	<b>50.653</b>



# Notes to the Financial Statements

## 1 Subsequent events

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

## 2 Staff expenses

	2021 TDKK	2020 TDKK
Wages and salaries	38.908	35.114
Pensions	2.073	1.922
Other social security expenses	473	406
Other staff expenses	150	70
	<b>41.604</b>	<b>37.512</b>
<b>Average number of employees</b>	<b>75</b>	<b>69</b>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act. No remuneration has been paid to the Company's Board of Directors.

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

## Notes to the Financial Statements

	2021 TDKK	2020 TDKK
<b>3 Financial income</b>		
Interest received from group enterprises	87	57
Other financial income	167	119
Exchange gains	1.002	353
	<b>1.256</b>	<b>529</b>
<b>4 Financial expenses</b>		
Interest paid to group enterprises	72	0
Other financial expenses	172	82
Exchange adjustments, expenses	1.153	476
	<b>1.397</b>	<b>558</b>
<b>5 Tax on profit/loss for the year</b>		
Current tax for the year	3.751	983
Deferred tax for the year	39	155
	<b>3.790</b>	<b>1.138</b>

# Notes to the Financial Statements

## 6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment TDKK	Leasehold improvements TDKK
Cost at 1 January	62	41
Additions for the year	26	0
Cost at 31 December	88	41
Impairment losses and depreciation at 1 January	24	1
Depreciation for the year	19	8
Impairment losses and depreciation at 31 December	43	9
<b>Carrying amount at 31 December</b>	<b>45</b>	<b>32</b>

## 7 Fixed asset investments

	Deposits TDKK
Cost at 1 January	41
Cost at 31 December	41
<b>Carrying amount at 31 December</b>	<b>41</b>

## 8 Contract work in progress

	2021 TDKK	2020 TDKK
Selling price of work in progress	21.869	7.937
Payments received on account	-39.022	-20.946
	<b>-17.153</b>	<b>-13.009</b>
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	25	314
Prepayments received recognised in debt	-17.178	-13.323
	<b>-17.153</b>	<b>-13.009</b>

# Notes to the Financial Statements

## 9 Prepayments

Prepayments comprise prepayments of various subscriptions, rent, water, heating and electricity.

## 10 Equity

The share capital consists of 5 shares of a nominal value of TDKK 24,600. No shares carry any special rights.

The share capital is broken down as follow:

	Number	Nominal value TDKK
Ordinary Shares	1	23.500
Ordinary Shares	2	1.000
Ordinary Shares	2	100
		<b>24.600</b>

## 11 Distribution of profit

	2021 TDKK	2020 TDKK
Retained earnings	13.273	3.966
	<b>13.273</b>	<b>3.966</b>

## 12 Deferred tax asset

Deferred tax asset at 1 January	194	349
Amounts recognised in the income statement for the year	-39	-155
<b>Deferred tax asset at 31 December</b>	<b>155</b>	<b>194</b>

# Notes to the Financial Statements

## 13 Long-term debt

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

The debt falls due for payment as specified below:

	2021 TDKK	2020 TDKK
<b>Other payables</b>		
Between 1 and 5 years	0	3.069
Long-term part	0	3.069
Other short-term payables	7.624	10.775
	<b>7.624</b>	<b>13.844</b>

## 14 Other payables

Value added tax etc	679	4.712
Wages and salaries, personal income taxes, social security costs, etc.	2.279	3.584
Holiday pay obligation	2.201	1.324
Other debt	2.465	1.155
	<b>7.624</b>	<b>10.775</b>

## 15 Contingent assets, liabilities and other financial obligations

### Contingent liabilities

Commitments under rental agreements or leases until expiry	228	152
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The companies GroupM Denmark A/S and Wavemaker have provided a joint guarantee of DKK 14,500 thousand in favour of the Companies' banks. The guarantee is provided towards 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 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 for income taxes etc for the jointly taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

# Notes to the Financial Statements

## 16 Related parties

	<b>Basis</b>
<b>Controlling interest</b>	
GroupM Denmark A/S	Shareholder
<b>Transactions</b>	

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:

<b>Name</b>	<b>Place of registered office</b>
WPP Plc.	27 Farm Street, W1J 5RJ, London, England

The Group Annual Report of may be obtained at the following address: [www.wpp.com](http://www.wpp.com)

## 17 Fee to auditors appointed at the general meeting

<b>Deloitte</b>		
Audit fee	296	228
	<b>296</b>	<b>228</b>

# Notes to the Financial Statements

## 18 Accounting Policies

The Annual Report of Wavemaker A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2021 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 WPP Plc., 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.

### 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.

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.

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### Income Statement

#### Revenue

Revenue from the sale of media is recognised in the income statement when delivery is made to the buyer.

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).

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

#### 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.

#### Depreciation and impairment losses

Depreciation and impairment losses relating to property, plant and equipment comprise 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.



# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### 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

## 18 Accounting Policies (continued)

### Impairment of fixed assets

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

If so, the asset is written down to its lower recoverable amount.

### 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 is measured at the sales value of the work carried out at the balance sheet date.

The sales value is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

For some projects where the consumption of resources cannot be applied as a basis, stage of completion is determined as the ratio between completed and total sub activities of the individual projects.

Each contract in progress is recognised in the balance sheet under receivables or liabilities, depending on whether the net value, calculated as the selling price less on account billings, is positive or negative.

Cost of securing 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.

# Notes to the Financial Statements

## 18 Accounting Policies (continued)

### 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 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. Surcharges 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.

## Financial Highlights

### Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$