
Discovery Communications Nordic ApS

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

Annual Report for 1 January - 31 December 2017

CVR No 21 85 86 09

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
25/6 2018

Lene Rytter
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 Discovery Communications Nordic ApS for the financial year 1 January - 31 December 2017.

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 2017 of the Company and of the results of the Company operations for 2017.

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, 22 June 2018

Executive Board

Christian Kemp

Board of Directors

Roanne Weekes
Chairman

Jozef Maarten Dijkstra

Christian Sonnefeld Jørgensen

Independent Auditor's Report

To the Shareholder of Discovery Communications Nordic ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Discovery Communications Nordic ApS for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the 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.

Independent Auditor's Report

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.

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.

Independent Auditor's Report

- 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.

Hellerup, 22 June 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Allan Kamp Jensen
State Authorised Public Accountant
mne15126

Thomas Baunkjær Andersen
State Authorised Public Accountant
mne35483

Company Information

The Company

Discovery Communications Nordic ApS
H.C. Andersens Boulevard 1
DK-1553 København V

CVR No: 21 85 86 09
Financial period: 1 January - 31 December
Municipality of reg. office: Copenhagen

Board of Directors

Roanne Weekes, Chairman
Jozef Maarten Dijkstra
Christian Sonnefeld Jørgensen

Executive Board

Christian Kemp

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Bankers

Bank Mendez Ganz

Skandinaviska Enskilda Bank

Financial Highlights

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

	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK
Key figures					
Profit/loss					
Operating profit/loss	103	27	46,390	79,411	25,919
Profit/loss before financial income and expenses	103	27	46,390	79,411	25,919
Net profit/loss for the year	(227,387)	139,250	(1,152,546)	(59,366)	(263,817)
Balance sheet					
Balance sheet total	5,062,425	5,343,615	5,262,136	8,535,800	9,306,324
Equity	4,040,736	4,268,123	4,190,598	5,343,144	5,768,688
Investment in property, plant and equipment	0	0	0	0	0
Ratios					
Return on assets	0.0 %	0.0 %	0.9 %	0.9 %	0.3 %
Solvency ratio	79.8 %	79.9 %	79.6 %	62.6 %	62.0 %
Return on equity	(5.5)%	3.3 %	(24.2)%	(1.1)%	(9.1)%

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

The main activity of the Company and the Group is the sale of television commercials, marketing and PR as well as other products relating to television stations broadcasting via satellite. Moreover, the Company carries out a number of other activities on behalf of these stations.

Development in the year

The income statement of the Company for 2017 shows a loss of TDKK 227,387, and at 31 December 2017 the balance sheet of the Company shows equity of TDKK 4,040,736.

Management consider the result is satisfactory.

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

The result for the year is decreased compared to last year since the Company last year realized a gain from sale of investments of DKK 369 million.

Special risks - operating risks and financial risks

Market risks

As the media industry shifts towards a more digital oriented landscape, generally a churn of linear subscribers is experienced. If this continues or worsens, it will have a negative impact on distribution revenues from linear packages.

Foreign exchange risks

Given that transfer pricing is made 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 in the interest rate level will be without significant direct effect on earnings.

Targets and expectations for the year ahead

The Company expects that revenue and profit in the next year is in the same level as 2017.

External environment

The operation of the company has no impact on the external environment.

Management's Review

Uncertainty relating to recognition and measurement

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

Unusual events

The financial position at 31 December 2017 of the Company and the results of the activities of the Company for the financial year for 2017 have not been affected by any unusual events.

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	2017 TDKK	2016 TDKK
Gross profit/loss		103	27
Income from investments in subsidiaries	1	(200,591)	126,533
Financial income	2	89,145	14,017
Financial expenses	3	(117,151)	(29,222)
Profit/loss before tax		(228,494)	111,355
Tax on profit/loss for the year	4	1,107	27,895
Net profit/loss for the year		(227,387)	139,250

Balance Sheet 31 December

Assets

	Note	2017 TDKK	2016 TDKK
Investments in subsidiaries	5	2,384,617	2,785,208
Fixed asset investments		2,384,617	2,785,208
Fixed assets		2,384,617	2,785,208
Receivables from group enterprises		246,885	1,163,530
Other receivables		92	99
Corporation tax, joint taxation		76,608	14,093
Receivables		323,585	1,177,722
Cash at bank and in hand		2,354,223	1,380,685
Currents assets		2,677,808	2,558,407
Assets		5,062,425	5,343,615

Balance Sheet 31 December

Liabilities and equity

	Note	2017 TDKK	2016 TDKK
Share capital		50	50
Special reserves		4,300,634	4,300,634
Retained earnings		(259,948)	(32,561)
Equity	6	4,040,736	4,268,123
Payables to group enterprises		422,081	422,081
Long-term debt	8	422,081	422,081
Payables to group enterprises	8	479,121	590,214
Corporation tax		54,131	0
Other payables		66,356	63,197
Short-term debt		599,608	653,411
Debt		1,021,689	1,075,492
Liabilities and equity		5,062,425	5,343,615
Distribution of profit	7		
Contingent assets, liabilities and other financial obligations	9		
Related parties	10		
Accounting Policies	11		

Statement of Changes in Equity

	Share capital	Special reserves	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	50	4,300,634	(32,561)	4,268,123
Net profit/loss for the year	0	0	(227,387)	(227,387)
Equity at 31 December	50	4,300,634	(259,948)	4,040,736

The special reserves comprise of a dividend equalisation fund adopted in connection with a capital decrease in 2016.

Notes to the Financial Statements

	2017 TDKK	2016 TDKK
1 Income from investments in subsidiaries		
Share of profits of subsidiaries	126,911	84,727
Amortisation of goodwill	(327,502)	(327,502)
Gain (loss) from sale of investment in subsidiaries	0	369,308
	(200,591)	126,533
2 Financial income		
Interest received from group enterprises	82,568	0
Other financial income	196	0
Exchange adjustments	6,381	14,017
	89,145	14,017
3 Financial expenses		
Interest paid to group enterprises	29,954	28,985
Other financial expenses	8,967	373
Exchange adjustments, expenses	78,230	(136)
	117,151	29,222
4 Tax on profit/loss for the year		
Current tax for the year	(4,299)	0
Deferred tax for the year	0	(3,073)
Adjustment of tax concerning previous years	3,192	(24,822)
	(1,107)	(27,895)

Notes to the Financial Statements

	2017 TDKK	2016 TDKK
5 Investments in subsidiaries		
Cost at 1 January	3,465,916	3,728,561
Additions for the year	0	1,936
Disposals for the year	0	(64,581)
Cost at 31 December	<u>3,465,916</u>	<u>3,665,916</u>
Value adjustments at 1 January	(880,708)	(1,019,737)
Disposals for the year	0	381,804
Net profit/loss for the year	126,911	84,727
Amortisation of goodwill	(327,502)	(327,502)
Value adjustments at 31 December	<u>(1,081,299)</u>	<u>(880,708)</u>
Carrying amount at 31 December	<u>2,384,617</u>	<u>2,785,208</u>
Positive differences arising on initial measurement of subsidiaries at net asset value	<u>3,275,022</u>	<u>3,275,022</u>
Remaining positive difference included in the above carrying amount at 31 December	<u>1,725,444</u>	<u>2,052,946</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Discovery Networks Denmark ApS	Copenhagen	2,000,000	100 %

6 Equity

The share capital consists of 50 shares of a nominal value of TDKK 1. No shares carry any special rights.

Notes to the Financial Statements

	2017 TDKK	2016 TDKK
7 Distribution of profit		
Retained earnings	(227,387)	139,250
	(227,387)	139,250

8 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:

	2017 TDKK	2016 TDKK
Payables to group enterprises		
Between 1 and 5 years	422,081	422,081
Long-term part	422,081	422,081
Other short-term debt to group enterprises	479,121	590,214
	901,202	1,012,295

9 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Groups Danish Companies. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

10 Related parties

	<u>Basis</u>
Controlling interest	
Discovery Communications Europe Ltd. Discovery House, Chiswick Park Building 2 566 Chiswick High Road W4 5YB London United Kingdom	Shareholder
Discovery Communications Inc. 1 Discovery Place Silver Spring MD 90210 United States	Ultimate Shareholder

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

The Company have in the financial year 2017 carried out transactions with related parties in accordance with the Groups Transfer Pricing policies.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group

<u>Name</u>	<u>Place of registered office</u>
Discovery Communications Inc.	Silver Spring, United States
Discovery Communications Europe Ltd.	London, United Kingdom

The Group Annual Report of Discovery Communications Inc. may be obtained at the following address:

1 Discovery Place
Silver Spring
MD 90210
United States

Notes to the Financial Statements

11 Accounting Policies

The Annual Report of Discovery Communications Nordic ApS for 2017 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 2017 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Discovery Communications Inc., the Company has not prepared consolidated financial statements.

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 Europe Ltd., the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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.

Notes to the Financial Statements

11 Accounting Policies (continued)

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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.

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

Income Statement

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Revenue

Revenue from the sale of TV commercials and transmission is recognised in the income statement when the delivery and transfer of risk has been made before year end.

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

Other external expenses

Other external expenses comprise expenses for premises, sales as well as office expenses, etc.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Notes to the Financial Statements

11 Accounting Policies (continued)

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

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 its wholly owned Danish subsidiary. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

Goodwill is amortised over a period of 10 years.

Goodwill is amortised over the expected economic useful life, measured by reference to an assessment of, among other factors as the nature of the market position of the business, the stability of the industry and earnings, the market position of the acquired entity and what is considered as normal in the media business.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Notes to the Financial Statements

11 Accounting Policies (continued)

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.

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. 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.

Notes to the Financial Statements

11 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

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