

# Discovery Communications Nordic ApS

H.C. Andersens Boulevard 1, 1553 København V

CVR No. 21 85 86 09

## Annual Report 2020

The Annual Report as presented and  
adopted at the Annual General Meeting  
on 30th of June 2021.

*Steen Rode*  
Chairman of the 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 January 1 - December 31, 2020.


In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and the results of the Company operations for 2020.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

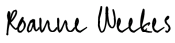
We recommend that the Annual Report to be adopted at the Annual General Meeting.

Copenhagen, 30th of June, 2021

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**Steen Rode**  
**Executive Board**

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**James Tsung Jen Gibbons**  
*Managing director*

### Board of Directors

DocuSigned by:  
  
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**Roanne Weekes**  
Chairman

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*Christian Sonnefeld Jorgensen*

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**Kasper Kryger**

## **Independent Auditor's Report**

To the Shareholders 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 2020, and of the results of the Company's operations for the financial year 1 January - 31 December 2020 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 2020, 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.

### **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.

Hellerup, 30 June 2021

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

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**Allan Kamp Jensen**

State Authorised Public Accountant

Mne15126

## Company Information

<b>The Company</b>	Discovery Communications Nordic ApS H.C. Andersens Boulevard 1 DK-1553 Copenhagen
<b>CVR number</b>	21 85 86 09
<b>Board of Directors</b>	<i>Roanne Weekes, Chairman</i> <i>Kasper Kryger</i> <i>Christian Sonnefeld Jørgensen</i>
<b>Executive Board</b>	<i>James Tsung Jen Gibbons</i>
<b>Auditors</b>	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup
<b>Bankers</b>	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:

	2020	2019	2018	2017	2016
	TDKK	TDKK	TDKK	TDKK	TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Operating profit/loss	-1,251	-181	3,093	103	27.000
Profit/loss before financial income and expenses	-1,251	-181	3,093	103	27.000
Net profit/loss for the year	-536,892	-161,921	-369.965	-227.387	139.25
<b>Balance sheet</b>					
Balance sheet total	4,004,105	4,522,996	4,577,485	5,062,425	5,343,615
Equity	2,971,958	3,508,850	3,611,771	4,040,736	4,268,123
Investments in property, plant and Equipment	-	-	-	-	-
<b>Ratios</b>					
Return on assets	0.0%	0.0%	0.0%	0.0%	0.0%
Solvency ratio	74%	78%	78.7%	79.8%	79.9%
Return on Equity	-18.1%	-4.6%	-9.6%	-5.5%	3.3%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Finansforeningen/CFA Society Denmark. For definitions, see under accounting policies.

## **Management's Review**

### **Key activities**

*The Company's objects are to carry on trade and industry and all activities deemed to be related thereto by the board of directors. The Company's investments in subsidiaries comprises 100 percent of the shares in Discovery Networks Denmark ApS.*

### **Development in the year**

*The income statement of the Company for 2020 shows a loss of TDKK 536,892 and at 31 December 2020 the balance sheet of the Company shows equity of TDKK 2,971,958.*

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

*The result for the year is decreased compared to last year.*

### **Special risks, operating risks and financial risks**

#### **Market risks**

*In recent years, the Danish media market, together with the other Nordic countries, has experienced a decline in PUT (People Using Television). This trend is expected to continue, which will adversely affect linear revenue of the Company's subsidiary and consequently, having a negative impact of the Company's performance going forward.*

#### **Foreign exchange risks**

*Given that transfer pricing is made in foreign currency, results of operations, cash flow 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 the financial result in the next year will have an increased level in profit compared with 2020.*

#### **External environment**

*The operations of the Company has no material impact on the external environment.*

#### **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 2020 of the Company and the results of the activities of the Company for the financial year 2020 have been affected by development in subsidiaries.*

#### **Events after Balance Sheet**

*On May 17, 2021, Discovery Inc. and AT&T Inc. entered into an Agreement and Plan of Merger as well as other certain definitive agreements to combine WarnerMedia's assets and Discovery, Inc. to create a standalone company. The surviving entity will be a wholly owned subsidiary of Discovery.*

*Under the terms of the agreement, which is structured as an all-stock, Reverse Morris Trust transaction, AT&T would receive \$43 billion (subject to adjustment) in a combination of cash, debt securities, and WarnerMedia's retention of certain debt, and AT&T's shareholders would receive stock representing 71% of the new company; Discovery shareholders would own 29% of the new company. The Boards of Directors of both AT&T and Discovery have approved the transaction.*

*Discovery Inc. and AT&T have made customary representations, warranties and covenants in the Merger Agreement. The transaction is anticipated to close in mid-2022, subject to approval by Discovery shareholders and customary closing conditions, including receipt of regulatory approvals.*

*This transaction does not affect the going concern assumption for the standalone financial statements.*



## Income Statement 1 January - 31 December

<i>in TDKK</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
<b>Gross profit/loss</b>		<b>-1,251</b>	<b>-181</b>
<b>Financial items</b>			
Income from investments in subsidiaries	1	-537,040	-151,054
Financial income	2	62,139	95,708
Financial expenses	3	<u>-60,855</u>	<u>-111,181</u>
<b>Profit/loss before tax</b>		<b>-537,007</b>	<b>-166,708</b>
Tax on profit/loss for the year	4	<u>115</u>	<u>4,787</u>
<b>Profit/loss for the year</b>		<b><u>-536,892</u></b>	<b><u>-161,921</u></b>

## Balance sheet per December 31

<i>in TDKK</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
<b>Assets</b>			
Investments in subsidiaries	5	1,287,240	1,824,280
<b>Fixed asset investments</b>		<b>1,287,240</b>	<b>1,824,280</b>
<b>Fixed assets</b>		<b>1,287,240</b>	<b>1,824,280</b>
Receivables from Group enterprises		741	30,198
Other receivables		273	93
Deferred tax asset		115	
Joint taxation, contribution receivable			3,432
Corporation tax, joint taxation			3,250
<b>Receivables</b>		<b>1,129</b>	<b>36,973</b>
<b>Cash at bank and in hand</b>		<b>2,715,737</b>	<b>2,661,744</b>
<b>Current assets</b>		<b>2,716,866</b>	<b>2,698,717</b>
<b>Total assets</b>		<b>4,004,105</b>	<b>4,522,996</b>

## Balance sheet 31 December

### **Equity and liabilities**

*in TDKK*

	<i>Note</i>	<b>2020</b>	<b>2019</b>
<b>Equity</b>			
Share capital		50	50
Special reserves		4,300,634	4,300,634
Retained earnings		-1,328,726	-791,834
<b>Equity</b>	6	<b>2,971,958</b>	<b>3,508,850</b>
Payables to group enterprises		422,081	422,082
<b>Long-term debt</b>	8	<b>422,081</b>	<b>422,082</b>
Payables to group enterprises	8	605,220	587,492
Corporation tax		-	
Other payables		4,845	4,571
<b>Total current liabilities</b>		<b>610,065</b>	<b>592,063</b>
<b>Debt</b>		<b>1,032,146</b>	<b>1,014,145</b>
<b>Liabilities and equity</b>		<b>4,004,105</b>	<b>4,522,996</b>
Distribution of profit	7		
Contingent assets, liabilities and other financial obligations	9		
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## Statement of Changes in Equity

	Share capital	Special reserves	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	50	4,300,634	-791,834	3,508,850
Net profit/loss for the year	-	-	-536,892	-536,892
<b>Equity as 31 December</b>	<b>50</b>	<b>4,300,634</b>	<b>-1,328,726</b>	<b>2,971,958</b>

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

## Notes to the Financial Statements

in TDKK

### 1. Income from investments in subsidiaries

	<b>2020</b>	<b>2019</b>
Share of profits of subsidiaries	-67,224	115,571
Other adjustments	–	60,877
Amortisation of goodwill	-327,502	-327,502
Impairment	-142,314	–
	<b>-537,040</b>	<b>-151,054</b>

### 2. Financial income

	<b>2020</b>	<b>2019</b>
Interest received from group enterprises	58,660	5,187
Other financial income	1,773	–
Exchange adjustments	1,706	90,521
	<b>62,139</b>	<b>95,708</b>

### 3. Financial expenses

	<b>2020</b>	<b>2019</b>
Interest paid to group enterprises	27,042	28,367
Other financial expenses	19,260	19,124
Exchange adjustments, expenses	14,553	63,690
	<b>60,855</b>	<b>111,181</b>

### 4. Tax on profit/loss for the year

	<b>2020</b>	<b>2019</b>
Current tax for the year		3,251
Deferred tax adjustment in the year	115	
Adjustment of tax concerning previous years		1,536
	<b>115</b>	<b>4,787</b>

### 5. Investments in subsidiaries

	<b>2020</b>	<b>2019</b>
Cost at January 1	3,666,065	3,665,916
Additions for the year	–	149
Disposals for the year	–	–
	<b>3,666,065</b>	<b>3,666,065</b>

Value adjustments at January 1	-1,841,785	-1,629,854
Net profit/loss for the year	-67,224	115,571
Amortisation of goodwill	-327,502	-327,502
Impairment of goodwill	-142,314	–
<b>Carrying amount at 31 December</b>	<b>-2,378,825</b>	<b>-1,841,785</b>
	<b>1,287,240</b>	<b>1,824,280</b>

Positive difference arising on initial measurement of subsidiaries at net asset value	3,275,022	3,275,022
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Remaining positive difference included in the above carrying amount at 31 December	600,624	1,070,440
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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.

## 7. Distribution of profit

	2020	2019
Retained earnings	-536,892	-161,922
	<u>-536,892</u>	<u>-161,922</u>

## 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:

	2020	2019
<b>Payables to group enterprises</b>		
Between 1 and 5 years	422,081	422,082
<b>Long-term part</b>	<u>422,081</u>	<u>422,082</u>
Other short-term debt to group enterprises	605,220	587,493
	<u>1,027,301</u>	<u>1,009,575</u>

## 9. Contingent assets, liabilities and other financial obligations

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.

## 10. Related parties

### Controlling interest

**Discovery Communications Europe Ltd.**  
Discovery House, Chiswick Park Building 2  
566 Chiswick High Road  
W4 5YB London

### Basis

Shareholder

**Discovery 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 2020 carried out transactions with related parties in accordance with the Groups Transfer Pricing policies.

## Consolidated Financial Statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Discovery Inc., the Company has not prepared consolidated financial statements. The Company is included in the Group Annual report of the Parent Company of the largest and smallest group.

Name  
Discovery Inc.  
Discovery Communications Europe Ltd.

Place of registered office  
Silver Spring, United States  
London, United Kingdom

The Group Annual report of Discovery Inc. is to be obtained at the following address:

1 Discovery Place  
Silver Spring  
MD 90210  
United States

<https://ir.corporate.discovery.com/financial-information/annual-reports>

## 11. Events after Balance Sheet

On May 17, 2021, Discovery Inc. and AT&T Inc. entered into an Agreement and Plan of Merger as well as other certain definitive agreements to combine WarnerMedia's assets and Discovery, Inc. to create a standalone company. The surviving entity will be a wholly owned subsidiary of Discovery.

Under the terms of the agreement, which is structured as an all-stock, Reverse Morris Trust transaction, AT&T would receive \$43 billion (subject to adjustment) in a combination of cash, debt securities, and WarnerMedia's retention of certain debt, and AT&T's shareholders would receive stock representing 71% of the new company; Discovery shareholders would own 29% of the new company. The Boards of Directors of both AT&T and Discovery have approved the transaction.

Discovery Inc. and AT&T have made customary representations, warranties and covenants in the Merger Agreement. The transaction is anticipated to close in mid-2022, subject to approval by Discovery shareholders and customary closing conditions, including receipt of regulatory approvals.

This transaction does not affect the going concern assumption for the standalone financial statements.

## 12. Accounting principles

The Annual report of Discovery Communications Nordic ApS for 2020 are prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting principles remain unchanged from previous year. The Financial Statements for 2020 are presented in TDKK.

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 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.

### 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 expense 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.

## 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.

### **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.

### **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; Discovery Networks Denmark ApS. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

### **Balance sheet**

#### **Investment in subsidiaries**

Investment 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 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*

Goodwill is amortised over a period of 10 years.

Goodwill is amortized 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.

#### *Receivables*

Receivables are measured in the balance sheet at the lower of amortized cost and net realizable value, which corresponds to nominal value less provision for bad debt.

#### *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 base 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 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.

## Financial Highlights

Explanation of financial ratios

Return on assets 
$$\frac{\text{Profit before financials} \times 100}{\text{Average assets}}$$

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

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