

Merkle Denmark A/S

Meldahlsgade 5, 5. sal, 1613 København V

CVR no. 25 53 32 67

Annual report 2022

Approved at the Company's annual general meeting on 14 July 2023

Chair of the meeting:

.....
Casper Haagen Loch Henriksen

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Merkle Denmark A/S for the financial year 1 January - 31 December 2022.

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 of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 14 July 2023
Executive Board:

.....
Jimmi Eriksen

.....
Steen Østerby

Board of Directors:

.....
Ulrik Petersen
Chairman

.....
Martin Bochineck

.....
Robert Peter Hollingsworth

.....
Casper Haagen Loch
Henriksen

.....
Kristian Koch Jensen

Independent auditor's report

To the shareholder of Merkle Denmark A/S

Opinion

We have audited the financial statements of Merkle Denmark A/S for the financial year 1 January - 31 December 2022, which comprise an income statement, balance sheet, statement of changes in equity and notes, including 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 2022, and of the results of the Company's operations for the financial year 1 January - 31 December 2022 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 as to 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 the 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 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.

Independent auditor's report

- ▶ 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 note 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 the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 14 July 2023

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Martin Eiler
State Authorised Public Accountant
mne32271

Management's review

Company details

Name	Merkle Denmark A/S
Address, Postal code, City	Meldahlsgade 5, 5. sal, 1613 København V
CVR no.	25 53 32 67
Established	14 July 2000
Registered office	København
Financial year	1 January - 31 December
Website	https://www.merkleinc.com/emea/offices/copenhagen
Board of Directors	Ulrik Petersen, Chairman Martin Bochineck Robert Peter Hollingsworth Casper Haagen Loch Henriksen Kristian Koch Jensen
Executive Board	Jimmi Eriksen Steen Østerby
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28, 2100 Copenhagen

Management's review

Financial highlights

DKK'000	2022	2021	2020	2019	2018
Key figures					
Turnover	394,824	323,236	249,021	247,363	204,997
Gross profit	253,781	250,340	191,815	179,206	155,762
Operating profit/loss	55,406	86,478	60,887	53,435	37,872
Net financials	-424	271	-510	-339	-264
Profit for the year	42,445	67,597	46,950	41,146	29,140
Balance sheet					
Total assets	161,319	181,906	143,580	111,074	103,235
Investments in property, plant and equipment	1,502	793	1,412	3,496	2,971
Equity	59,239	84,391	63,744	57,794	45,648
Financial ratios					
Operating margin	14.0%	26.8%	24.5%	21.6 %	18.5 %
Gross margin	64.3%	77.4%	77.0%	72.4%	76.0%
Return on assets	32.3%	53.1%	47.8%	49.9%	39.1%
Equity ratio	36.7%	46.4%	44.4%	52.0%	44.2%
Return on equity	59.1%	91.3%	77.3%	79.6%	66.5%
Average number of full-time employees					
	285	232	214	197	179

For terms and definitions, please see accounting policies.

Management's review

Business review

Merkle is in a leading position within data driven customer experience designs across channels and platforms.

Merkle Denmark is a digital bureau that operates within three areas of business: Design and development of digital platforms, including commerce-, app- and web solutions, Marketing Automation and Performance Marketing. All three areas of business have performed satisfactorily in 2022.

Financial review

The income statement for 2022 shows a profit of DKK 42,445 thousand against a profit of DKK 67,597 thousand last year, and the balance sheet at 31 December 2022 shows equity of DKK 59,239 thousand. Management considers the Company's financial performance in the year satisfactory.

In 2022 there was a significant increase in the group management charges as well as a revised model for distribution of costs between group companies in Denmark. This has increased the costs in the Company which is the main driver of the decline in profit despite a growth in revenue. This means that even though revenue grew as expected, the resulting profit was lower than the outlook mentioned in the 2021 annual report.

Knowledge resources

The Company makes a great effort to motivate and develop its staff, believing that committed and responsible staff who wants to make a difference is perceived positively by the clients, which has a positive influence on the financial results. The Company emphasises value-based management, the key elements of which include open, honest and direct communication, a sense of responsibility, cost awareness and the will to win.

Impact on the external environment

In carrying on trade, the Company considers and seeks to reduce the environmental impact of its operations, and it is very concerned with making its business relates to waste disposal, electricity consumption, paper etc. The Company's direct and indirect efforts to protect the environment. The main environmental impact of environmental impact is limited. Efforts are made to sell obsolete IT equipment and empty toner cartridges to authorised waste processors or sell such equipment for reuse. The company expects to increase the focus on limiting our environmental and climate impact in the years to come as this is a priority to us, underpinned by our investment in projects such as The Sustainability Academy, a program for both clients and partners to increase awareness of the impact of working sustainable.

Statutory CSR report

The company's business model is to operate within three areas of business: Design and development of digital platforms, including commerce-, app- and web solutions, Marketing Automation and Performance Marketing

Double materiality

The management has considered each of the five policy areas in scope for §99a from a double materiality point of view, in the following describing how the company has tried to limit the negative impacts its actions have on the wider society as well as ensuring that as many actions as possible have a positive societal impact. When applicable, the company has also described below how events / actions from society have impacted the company negatively.

Continuity

While adjusting for new requirements, the company has strived to keep continuity in how we present our policies and results year by year, making it easier for the reader to follow key trends.

Management's review

Working environment

Our employees are the most important resource and asset. We work to ensure the health, safety and well-being of our employees, meaning both physical and mental conditions, including the risk of stress and exposure to bullying and other violations. It is essential for the company not only to ensure a safe and healthy working environment, but also to make sure that our employees are continuously developed in such a manner that their competencies stay both up-to-date and relevant. Besides measuring employee satisfaction, the company also measures employee well-being on an annual basis and follows up with relevant initiatives in order to ensure as high a well-being as possible. In 2022 the focus has been on continuing to ensure that people can work in a way that suits both themselves and the company as the new reality of hybrid-working becomes the norm following the pandemic.

In 2022 the surveys regarding employee satisfaction and wellbeing in Merkle Denmark once again showed that the company outperformed the peer group. In 2023 we plan to continue these.

While ensuring a safe and healthy working environment is pivotal for our business, it is not possible to measure the exact impact of this on our financial results, neither regarding revenue nor costs.

Environment & Climate

We have identified energy consumption and the resulting emissions of CO₂ to be the most significant risk of negatively affecting the climate. In carrying on trade, the Company considers and seeks to reduce the environmental impact of its operations and is working to minimize waste, electricity consumption, paper usage etc. The company plans to increase the focus on limiting our environmental and climate impact in the years to come, illustrated by our investment in projects such as The Sustainability Academy, a program for both clients and partners to increase awareness of the impact of working sustainably.

The company recognizes its obligation as a global organization and is working to implement ambitious initiatives that cover the entire value chain. Globally the company has committed to reduce absolute emissions by at least 46.2% by 2030, and at a long-term scale the company will reduce absolute emissions by at least 90% by 2040. The remaining emissions (10%) will be neutralized through credible and verifiable greenhouse gas emissions removal projects. As part of our focus on climate change, we have since 2019 only used renewable energy in all our Danish offices and will continue to do so. The continuous focus on limiting the energy consumption in 2022 led to a reduction in emissions and more efficient use of resources per employee when measured on the kWh usage per employee.

While the actions described above have increased our costs, this is not by an amount that is material to the overall financial results achieved by the company in 2022. The costs are both arising from higher prices on renewable energy as well as the man-hours invested.

Human rights & Anti-corruption

As a company Merkle respects and supports human rights as defined in international treaties. This is made clear in our Code of Conduct. In Denmark the local management sees the risk of any breaches of human rights as very low, therefore no additional policies are developed beyond what is stated in our Code of Conduct.

Merkle does not tolerate corruption. Besides the fact that this is made very clear in our Code of Conduct, all employees must complete a mandatory training course in anti-corruption on an annual basis. The company also has an anonymous whistle-blower hotline, Speak-Up, where employees can reach out to if they see any behaviour that does not match our Code of Conduct. The most significant risk for corruption is if our employees don't act according to our Code of Conduct.

In 2022, more than 90% of all staff have actively confirmed the Code of Conduct and more than 90% have also completed the anti-corruption training. That these figures are below 100% is caused by an on-going churn of staff, and as new employee you have a period within which you need to complete the trainings. In 2022 there has been no recorded nor identified breaches of the Code of Conduct and there have been no reports regarding corruption via the whistleblower solution.

In 2023 we plan to continue the listed initiatives and it will remain mandatory for all employees to confirm our Code of Conduct as well as complete anti-corruption training.

While the actions described above have increased our costs, this is not by an amount that is material to the overall financial results achieved by the company in 2022. The costs are arising mainly from the man-hours invested in the described actions.

Management's review

Account of the gender composition of Management

This section has been made pursuant to Section 99b of the Danish Financial Statements Act on gender composition.

The Company aims for a fair and equitable composition of management.

The Board of Directors has set a target of 40% corresponding to 2 out of 5 board members, for the underrepresented gender. The Board of Directors has set the target to be achieved by the end of 2024.

The Board of Directors currently consists of 5 elected male members and no elected female members. This is not considered satisfactory and the Company will in 2023 search for suitable female candidates should positions open up in the Board of Directors. No changes were made to the Board in the financial year 2022.

Management has adopted a policy to ensure a balance between genders on other levels of management. The policy sets out a framework for the individual manager's career development and opportunities for mentoring and provides internal targets for the proportion of female managers. The policy also provides guidelines for the recruitment and retention of women leaders in the business.

Specifically, the Company has initiated several actions to ensure a balance of female and male managers:

- Support for the preparation of individual career plans
- Mentoring
- Personnel policy that promotes career opportunities for both genders
- Recruitment procedures, which help to ensure same recruitment opportunities for both genders
- Mandatory training for all employees in diversity and inclusion
- Improved terms for paid parental leave ensuring almost identical terms for each gender

The proportion of female managers at other management levels is around the same level as last year, totalling 36%. The other management is all people with employee responsibilities. The percentage is calculated by counting the number of head count within each gender with a employee responsibility and then comparing them to each other.

The top management forum in the Company, the Merkle Denmark Exec Board, consists of 2 female and 4 male leaders.

The management does not find this balance fully satisfactory between the genders. The company will use the initiatives listed above to ensure a continuous focus on this to improve the balance between genders at each level of management.

Data ethics

For Merkle it's a priority to work with data in professional and ethical manner. We each year obtain an ISAE 3000 declaration to demonstrate our compliance with GDPR rules in the way we work with our clients' data. Further, we have mandatory trainings which more than 90% of all employees have completed with both data security and ethics & compliance. Finally, we have a number of global policies outlining how we work with data across the business, including, but not limited to, an Acceptable Use Policy, multiple security policies and an information classification and handling policy. These are not consolidated into one policy for data ethics but covers the area between them.

Internally the main data area for the company is employee data. We handle all information digitally to avoid physical data trails and we store the vast majority in our HR system Workday, a leading global HR solution, to ensure compliance with data regulations as well as internal policies.

For clients the company acts as data processor, typically handling non-sensitive PII such as browsing data and / or contact information. This is regulated between the company and each individual client in a data processing agreement, the framework and controls for which are checked as part of the ISAE 3000 declaration. As part of acting as data processor for our clients, we use a number of sub-processors, typically big tech companies such as Meta, Google and Adform. These relationships are also audited in the ISAE 3000 declaration.

Management's review

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Outlook

Expectations for 2023 are positive where a profit of 3-7% more than 2022 is expected.

The positive development is primarily driven by the fact that the Company aims to increase its international focus.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2022	2021
2	Turnover	394,824	323,236
	Cost of sales	-63,353	-48,229
3	Other external expenses	-77,690	-24,667
	Gross profit	253,781	250,340
4	Staff costs	-196,190	-160,874
5	Amortisation/depreciation of intangible assets and property, plant and equipment	-2,185	-2,988
	Profit before net financials	55,406	86,478
6	Financial income	550	504
	Financial expenses	-974	-233
	Profit before tax	54,982	86,749
7	Tax for the year	-12,537	-19,152
	Profit for the year	42,445	67,597

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2022	2021
	ASSETS		
	Fixed assets		
8	Intangible assets		
	Acquired intangible assets	0	34
		0	34
9	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	2,223	2,327
	Leasehold improvements	775	1,348
		2,998	3,675
10	Investments		
	Other receivables	1,891	1,843
		1,891	1,843
	Total fixed assets	4,889	5,552
	Non-fixed assets		
	Receivables		
	Trade receivables	75,481	82,594
	Work in progress	7,567	7,858
	Receivables from group entities	49,014	67,092
11	Deferred tax assets	365	379
	Other receivables	4,272	181
12	Prepayments	797	1,093
		137,496	159,197
	Cash	18,934	17,157
	Total non-fixed assets	156,430	176,354
	TOTAL ASSETS	161,319	181,906

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2022	2021
	EQUITY AND LIABILITIES		
	Equity		
13	Share capital	500	500
	Retained earnings	16,294	16,294
	Dividend proposed	42,445	67,597
	Total equity	59,239	84,391
	Liabilities other than provisions		
	Non-current liabilities other than provisions		
	Other payables	0	12,535
		0	12,535
	Current liabilities other than provisions		
	Prepayments received from customers	12,247	20,881
	Trade payables	5,882	10,266
	Payables to group entities	46,559	1,315
	Corporation tax payable	12,347	19,139
	Other payables	25,045	31,756
14	Deferred income	0	1,623
		102,080	84,980
	Total liabilities other than provisions	102,080	97,515
	TOTAL EQUITY AND LIABILITIES	161,319	181,906

- 1 Accounting policies
- 15 Contractual obligations and contingencies, etc.
- 16 Related parties
- 17 Appropriation of profit

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Dividend proposed	Total
	Equity at				
	1 January 2021	500	16,294	46,950	63,744
17	Transfer, see				
	"Appropriation of profit"	0	0	67,597	67,597
	Dividend distributed	0	0	-46,950	-46,950
	Equity at				
	1 January 2022	500	16,294	67,597	84,391
17	Transfer, see				
	"Appropriation of profit"	0	0	42,445	42,445
	Dividend distributed	0	0	-67,597	-67,597
	Equity at				
	31 December 2022	500	16,294	42,445	59,239

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Merkle Denmark A/S for 2022 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

Changes in accounting policies

The company has previously prepared annual reports in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized class C entities.

The preparation according to a higher accounting class has not resulted in any changes to recognition and measurement.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company Dentsu Danmark A/S.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Turnover

The Company uses IAS 11/IAS 18 as interpretation for the recognition of turnover.

Income from the rendering of services is recognised as turnover as the services are rendered. Accordingly, turnover corresponds to the market value of the services rendered during the year (percentage-of-completion method).

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Cost of sales

Cost of sales includes the cost of services used in generating the year's turnover.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/ depreciation

The item comprises amortisation/ depreciation of intangible assets and property, plant and equipment.

The basis of amortisation/ depreciation, which is calculated as cost less any residual value, is amortised/ depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Acquired intangible assets	3 years
Fixtures and fittings, other plant and equipment	3-5 years
Leasehold improvements	5 years

For leasehold improvements the depreciation period cannot exceed the contract period.

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities, realised and unrealised capital gains and losses relating to exchange gains and losses and amortisation of financial assets and liabilities.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and other Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Other intangible assets include acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

Receivables

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

The Company uses IAS 39 as interpretation for the recognition of write-down of receivables.

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables from group enterprises relate to current intercompany balances and cash pool facility with other group enterprises.

Work in progress

Service supplies and service contract work in progress for third parties are measured at the market value of the work performed less progress billings. The market value is calculated based on the stage of completion at the balance sheet date and the total expected income from the relevant contract. The stage of completion is calculated based on the expenses incurred relative to the expected total expenses relating to the relevant contract.

Where the outcome of contract work in progress cannot be estimated reliably, the market value is measured at the expenses incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under "Provisions" and is expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprises cash.

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account. Receivable or payable joint taxation contribution are recognised as income tax receivables or income tax payables.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Other payables

Other payables are measured at net realisable value.

Amounts owed by group entities relate to current intercompany balances and cash pool facility with other group entities.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Segment information

The allocation of revenue to activities and geographical markets is disclosed where these activities and markets differ significantly in the organisation of sales of goods and services.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
Operating margin	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Turnover}}$
Gross margin	$\frac{\text{Gross profit/loss} \times 100}{\text{Turnover}}$
Return on assets	$\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2022	2021
2 Segment information		
Breakdown of turnover by geographical segment:		
The Nordic countries	259,849	241,671
Europe	132,692	67,928
Outside of Europe	2,283	13,637
	<u>394,824</u>	<u>323,236</u>

All revenue generating activities for the Company falls within the service line CXM – Customer Experience Management.

3 Fee to the auditors appointed in general meeting

With reference to section 96 (3) of the Danish Financial Statements Act, information about auditor's fee has been omitted, as the information is disclosed in the consolidated accounts of Dentsu Danmark A/S.

DKK'000	2022	2021
4 Staff costs		
Wages/salaries	172,195	141,551
Pensions	20,463	16,581
Other social security costs	2,603	2,113
Other staff costs	929	629
	<u>196,190</u>	<u>160,874</u>
Average number of full-time employees	<u>285</u>	<u>232</u>

Remuneration to members of Management:

Executive Board	3,042	2,691
Board of Directors	0	0
	<u>3,042</u>	<u>2,691</u>

The members of the Board of Directors are all employed by either Merkle Denmark A/S or Dentsu Danmark A/S and paid for their employment. It is estimated that the share of remuneration directly relating to their role as members of the board of directors is DKK 50.000 in total.

DKK'000	2022	2021
5 Amortisation/ depreciation of intangible assets and property, plant and equipment		
Amortisation of intangible assets	6	671
Depreciation of property, plant and equipment	2,179	2,317
	<u>2,185</u>	<u>2,988</u>
6 Financial income		
Interest receivable, group entities	459	272
Exchange gain	0	230
Other financial income	91	2
	<u>550</u>	<u>504</u>

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2022	2021
7 Tax for the year		
Estimated tax charge for the year	12,347	19,316
Deferred tax adjustments in the year	14	-164
Tax adjustments, prior years	176	0
	<u>12,537</u>	<u>19,152</u>

8 Intangible assets

DKK'000	Acquired intangible assets
Cost at 1 January 2022	213
Disposals	-213
Cost at 31 December 2022	<u>0</u>
Impairment losses and amortisation at 1 January 2022	179
Amortisation for the year	6
Reversal of accumulated amortisation and impairment of assets disposed	-185
Impairment losses and amortisation at 31 December 2022	<u>0</u>
Carrying amount at 31 December 2022	<u>0</u>

9 Property, plant and equipment

DKK'000	Fixtures and fittings, other plant and equipment	Leasehold improvements	Total
Cost at 1 January 2022	7,913	7,099	15,012
Additions	1,430	72	1,502
Cost at 31 December 2022	<u>9,343</u>	<u>7,171</u>	<u>16,514</u>
Impairment losses and depreciation at 1 January 2022	5,586	5,751	11,337
Depreciation	1,534	645	2,179
Impairment losses and depreciation at 31 December 2022	<u>7,120</u>	<u>6,396</u>	<u>13,516</u>
Carrying amount at 31 December 2022	<u>2,223</u>	<u>775</u>	<u>2,998</u>

10 Investments

DKK'000	Other receivables
Cost at 1 January 2022	1,843
Additions	48
Cost at 31 December 2022	<u>1,891</u>
Carrying amount at 31 December 2022	<u>1,891</u>

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2022	2021
11 Deferred tax		
Deferred tax at 1 January	-379	-215
Deferred tax adjustment for the year	14	-164
Deferred tax at 31 December	-365	-379
Deferred tax relates to:		
Intangible assets	-94	-181
Property, plant and equipment	-271	-198
	-365	-379

12 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years.

DKK'000	2022	2021
13 Share capital		
Analysis of the share capital:		
500 shares of DKK 1,000.00 nominal value each	500	500
	500	500

The Company's share capital has remained DKK 500 thousand over the past 5 years.

14 Deferred income

Deferred income as per 31 December 2021, DKK 1,623 thousand consisted of payments received from customers that could not be recognised until the subsequent financial year.

15 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with other Danish group entities. As a group entity, the Company has joint and several unlimited liability for Danish corporation taxes as well as withholding taxes on interest, royalties and dividends within the joint taxation unit. The jointly taxed companies' total known net payable in respect of corporation taxes and withholding taxes amounted to DKKt 14,795 thousand at 31 December 2022. Any subsequent adjustments to the joint taxation income and withholding taxes, etc., may entail that the Company's liability will increase.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2022	2021
Rent and lease liabilities	3,292	3,488

Financial statements 1 January - 31 December

Notes to the financial statements

16 Related parties

Merkle Denmark A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Dentsu Danmark A/S	Overgaden Neden Vandet 7, Copenhagen, Denmark	Participating interest

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Dentsu Danmark A/S	Copenhagen, Denmark	The consolidated financial statements for Dentsu Danmark A/S are available on www.cvr.dk .

Related party transactions

Merkle Denmark A/S was engaged in the below related party transactions:

DKK'000	2022	2021
Purchase of services from group entities	62,522	12,759
Sale of services to group entities	62,422	21,222
Interest receivable from group entities	459	272
Receivables from group enterprises	49,014	67,092
Payables to group enterprises	46,559	1,315

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

Name	Domicile
Dentsu Danmark A/S	Overgaden Neden Vandet 7 Copenhagen Denmark

DKK'000	2022	2021
17 Appropriation of profit		
Recommended appropriation of profit		
Proposed dividend recognised under equity	42,445	67,597
	<u>42,445</u>	<u>67,597</u>

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