

TURNER BROADCASTING SYSTEM DENMARK ApS

Jens Kofods Gade 1, 2., 1268 København K

Company reg. no. 26 40 45 09

Annual report

1 January - 31 December 2021

The annual report was submitted and approved by the general meeting on the 11 July 2022.

Eleanor Caroline Browne
Chairman of the meeting

Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Contents

	<u>Page</u>
Reports	
Management's statement	1
Independent auditor's report	2
Management's review	
Company information	5
Financial highlights	6
Management's review	7
Financial statements 1 January - 31 December 2021	
Income statement	9
Balance sheet	10
Statement of changes in equity	12
Notes	13
Accounting policies	16

Management's statement

Today, the Executive Board has approved the annual report of TURNER BROADCASTING SYSTEM DENMARK ApS for the financial year 1 January - 31 December 2021.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021.

Further, in our opinion, the Management's review gives a true and 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, 11 July 2022

Executive board

Christina Sulebakk

Jesper Steenberg

Eleanor Caroline Browne

Independent auditor's report

To the Shareholders of TURNER BROADCASTING SYSTEM DENMARK ApS

Opinion

We have audited the financial statements of TURNER BROADCASTING SYSTEM DENMARK ApS for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies, for the Company. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021, and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We 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' 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 rules and requirements.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional 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.

Independent auditor's report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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, we conclude that 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 Management's Review.

Copenhagen, 11 July 2022

EY Godkendt Revisionspartnerselskab

Company reg. no. 30 70 02 28

Brian Skovhus Jakobsen

statsautoriseret revisor
mne27701

Company information

The company	TURNER BROADCASTING SYSTEM DENMARK ApS Jens Kofods Gade 1, 2. 1268 København K
	Company reg. no. 26 40 45 09 Domicile: Copenhagen Financial year: 1 January - 31 December
Executive board	Christina Sulebakk Jesper Steenberg Eleanor Caroline Browne
Auditors	EY Godkendt Revisionspartnerselskab
Parent company	Turner Broadcasting System Europe Limited

Financial highlights

DKK in thousands.	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Income statement:					
Revenue	138.567	132.693	112.544	37.619	47.271
Profit from operating activities	8.467	4.443	9.920	2.373	4.228
Net financials	141	2.149	-4.227	-139	24
Net profit or loss for the year	6.706	5.120	4.362	1.686	3.230
Statement of financial position:					
Balance sheet total	70.906	65.842	85.535	24.954	28.577
Equity	35.999	29.293	24.173	19.811	18.125
Employees:					
Average number of full-time employees	16	22	27	24	27
Key figures in %:					
Gross margin ratio	18,2	15,4	26,0	44,4	52,5
Profit margin (EBIT-margin)	6,1	3,3	8,8	6,3	8,9
Solvency ratio	50,8	44,5	28,3	79,4	63,4
Return on equity	20,5	19,2	19,8	8,9	19,6

Calculations of key figures and ratios do, in all material respects, follow the recommendations of the Danish Association of Finance Analysts, only in a few respects deviating from the recommendations.

The key figures and ratios shown in the statement of financial highlights have been calculated as follows:

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

Profit margin (EBIT margin)
$$\frac{\text{Operating profit or loss (EBIT)} \times 100}{\text{Revenue}}$$

Solvency ratio
$$\frac{\text{Equity, closing balance} \times 100}{\text{Total assets, closing balance}}$$

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

Management's review

The principal activities of the company

The main activity of the company is to distribute Cartoon Network, Boomerang, CNN, Toonix and TNT both digitally and linear. As part of the distribution business, is the sale of advertising on participating channels.

Unusual events

On 11 March 2020, the World Health Organisation Declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

The company currently assesses that the virus will not have a significant effect on the company's financial position, results of operations or cash flows in the future. The directors will however continue to monitor the possible impact of the Coronavirus on the activities of the company.

Development in activities and financial matters

The revenue for the year totals DKK 138.567.395 against DKK 132.692.823 last year. Income or loss from ordinary activities after tax totals DKK 6.706.060 against DKK 5.119.650 last year.

Future developments

The directors aim to maintain the management policies which have resulted in the company's substantial growth. Management consider that the next year will show a further growth in sales from continuing operations with an expected profit before tax of between 6 to 8 million DKK.

Financial risks and the use of financial instruments

Operating risks

The company licenses programmes to its customers. Changing consumer demands for entertainment content expose the company to the risk that programming inventory may become less popular with audiences. The company procures content targeted to key demographics and monitors trends around consumer habits.

Market risks

The media industry is subject to substantial competitive pressure and rapid technological change, and this is a continuing risk for the company which could result in loss of sales and increased costs. The company manages the risk by monitoring trends and developing new methods of media distribution.

Foreign exchange risks

The sales and expenditures are made in many currencies other than the Danish Krone and the company is therefore exposed to foreign currency exchange rate movements. The groups' treasury function takes out contracts to manage this risk at group level.

Management's review

Events occurring after the end of the financial year

On 17th May 2021 the ultimate parent company, AT&T Inc. announced they will combine the WarnerMedia content unit with Discovery, Inc. Under the agreement, AT&T will form a new media company with Discovery, Inc., which would be separate from AT&T. Turner Broadcasting System Denmark ApS is part of the WarnerMedia Group which will form part of the new media company.

On the 8th April 2022, the merger of WarnerMedia LLC and Discovery, Inc. closed and a new publicly listed company, Warner Bros Discovery, Inc. (WBD), was formed. This change in ultimate ownership has no impact on the 2021 results of Turner Broadcasting System Denmark ApS or any of the WarnerMedia LLC subsidiaries.

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

Income statement 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2021</u>	<u>2020</u>
Revenue	138.567.395	132.692.823
Other external expenses	<u>-113.304.458</u>	<u>-112.226.997</u>
Gross profit	25.262.937	20.465.826
1 Staff costs	-16.796.202	-15.963.138
Depreciation and impairment of property, land, and equipment	<u>0</u>	<u>-59.354</u>
Operating profit	8.466.735	4.443.334
Other financial income	295.637	2.148.574
Other financial expenses	<u>-154.716</u>	<u>0</u>
Pre-tax net profit or loss	8.607.656	6.591.908
2 Tax on net profit or loss for the year	<u>-1.901.596</u>	<u>-1.472.258</u>
3 Net profit or loss for the year	<u>6.706.060</u>	<u>5.119.650</u>

Balance sheet at 31 December

All amounts in DKK.

<u>Note</u>	<u>2021</u>	<u>2020</u>
Assets		
Non-current assets		
4 Other fixtures and fittings, tools and equipment	0	0
Total property, plant, and equipment	0	0
5 Deposits	578.897	578.897
Total investments	578.897	578.897
Total non-current assets	578.897	578.897
Current assets		
Trade receivables	28.893.594	26.917.115
6 Deferred tax assets	36.662	279.662
Total receivables	28.930.256	27.196.777
Cash and cash equivalents	41.396.644	38.066.638
Total current assets	70.326.900	65.263.415
Total assets	70.905.797	65.842.312

Balance sheet at 31 December

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2021</u>	<u>2020</u>
Equity			
7	Contributed capital	125.000	125.000
	Retained earnings	35.874.068	29.168.009
	Total equity	35.999.068	29.293.009
 Long term liabilities other than provisions			
	Other payables	434.966	1.868.207
8	Total long term liabilities other than provisions	434.966	1.868.207
8	Current portion of long term liabilities	0	355.600
	Trade payables	1.688.566	4.592.325
	Payables to subsidiaries	30.613.063	21.176.939
	Income tax payable	387.840	245.678
	Other payables	1.782.294	8.310.554
	Total short term liabilities other than provisions	34.471.763	34.681.096
	Total liabilities other than provisions	34.906.729	36.549.303
	Total equity and liabilities	70.905.797	65.842.312
 9 Contingencies			
10 Related parties			

Statement of changes in equity

All amounts in DKK.

	<u>Contributed capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity 1 January 2021	125.000	29.168.008	29.293.008
Retained earnings for the year	<u>0</u>	<u>6.706.060</u>	<u>6.706.060</u>
	<u>125.000</u>	<u>35.874.068</u>	<u>35.999.068</u>

Notes

All amounts in DKK.

	<u>2021</u>	<u>2020</u>
1. Staff costs		
Salaries and wages	15.068.018	14.743.789
Pension costs	800.037	1.166.609
Other costs for social security	928.147	9.111
Other staff costs	<u>0</u>	<u>43.629</u>
	<u>16.796.202</u>	<u>15.963.138</u>
Average number of employees	<u>16</u>	<u>22</u>
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
2. Tax on net profit or loss for the year		
Tax on net profit or loss for the year	1.703.406	1.700.685
Adjustment of deferred tax for the year	198.190	-232.973
Adjustment of tax for previous years	<u>0</u>	<u>4.546</u>
	<u>1.901.596</u>	<u>1.472.258</u>
3. Proposed appropriation of net profit		
Transferred to retained earnings	<u>6.706.060</u>	<u>5.119.650</u>
Total allocations and transfers	<u>6.706.060</u>	<u>5.119.650</u>
4. Other fixtures and fittings, tools and equipment		
Cost 1 January 2021	<u>1.477.750</u>	<u>1.477.751</u>
Cost 31 December 2021	<u>1.477.750</u>	<u>1.477.751</u>
Depreciation and writedown 1 January 2021	<u>-1.477.750</u>	<u>-1.477.751</u>
Depreciation and writedown 31 December 2021	<u>-1.477.750</u>	<u>-1.477.751</u>
Carrying amount, 31 December 2021	<u>0</u>	<u>0</u>

Notes

All amounts in DKK.

	<u>31/12 2021</u>	<u>31/12 2020</u>
5. Deposits		
Cost 1 January 2021	578.897	578.897
Cost 31 December 2021	578.897	578.897
Carrying amount, 31 December 2021	578.897	578.897
6. Deferred tax assets		
Deferred tax assets 1 January 2021	279.662	46.689
Deferred tax of the net profit or loss for the year	-243.000	232.973
	36.662	279.662
7. Contributed capital		
Contributed capital 1 January 2021	125.000	125.000
	125.000	125.000

The share capital consists of 1,000 shares of a nominal value of DKK 125. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

8. Long term liabilities other than provisions

	<u>Total payables 31 Dec 2021</u>	<u>Current portion of long term payables</u>	<u>Long term payables 31 Dec 2021</u>	<u>Outstanding payables after 5 years</u>
Other payables	434.966	0	434.966	0
	434.966	0	434.966	0

Notes

All amounts in DKK.

9. Contingencies

Contingent liabilities

	DKK in thousands
Rent obligations	524.900
Total contingent liabilities	524.900

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The Company is the management company of the joint taxation Group. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax and tax on royalty and interest payments. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

10. Related parties

Controlling interest

Turner Broadcasting System Europe Limited, United Kingdom	Parent company
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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.

Consolidated financial statements

The Company is included in the consolidated annual report of the Ultimate Parent Company AT&T Inc. The Group Annual Report of AT&T Inc may be obtained at the following adress:
208 South Akard Street
Dallas
TX 75202

Accounting policies

The annual report for TURNER BROADCASTING SYSTEM DENMARK ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (medium sized enterprises).

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Pursuant to section 86 (4) of the Danish Financial Statements Act, no statement of cash flows for the enterprise has been prepared, as the relevant information is included in the consolidated financial statements of AT&T Inc.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Income statement

Revenue

The enterprise will be applying IAS 11 and IAS 18 as its basis of interpretation for the recognition of revenue.

Accounting policies

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Other external expenses

Other external expenses comprise expenses incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, realised and unrealised capital gains and losses relating to debt and transactions in foreign currency as well as surcharges and reimbursements under the advance tax scheme, etc.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Statement of financial position

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

Accounting policies

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Other fixtures and fittings, tools and equipment	3-5 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Property, plant, and equipment under construction

Property, plant, and equipment under construction are measured and recognised as the total costs incurred. When the work has been completed, the total value is transferred to the relevant item under property, plant, and equipment and is amortised from the date of entry into service.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets as well as equity investments in subsidiaries are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Accounting policies

Investments

Deposits

Deposits are measured at amortised cost and represent lease deposits, etc.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.