# *McCann Copenhagen ApS*

Borgergade 14, 5., DK-1300 København K

# Annual Report for 1 January - 31 December 2017

CVR No 37 32 37 48

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 14/5 2018

Richard Bonner-Davies
Chairman

# Contents

# Management’s Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of McCann Copenhagen ApS for the financial year 1 January - 31 December 2017.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and of the results of the Company operations for 2017.

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

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

Copenhagen, 14 May 2018

**Executive Board**

Tobias Smidth-Fibiger
Executive Officer

**Board of Directors**

| | | |
|---|---|---|
| Richard Bonner-Davies<br>Chairman | Cristobal Francisco Hödar | Tobias Smidth-Fibiger |

# Independent Auditor's Report

To the Shareholder of McCann Copenhagen ApS

**Opinion**

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

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

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the ”Auditor's responsibilities for the audit of the Financial Statements” section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Statement on Management's Review**

Management is responsible for Management's Review.

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

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

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

# Independent Auditor's Report

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

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

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

# Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 14 May 2018
**PricewaterhouseCoopers**
Statsautoriseret Revisionspartnerselskab
*CVR No 33 77 12 31*

Niels Henrik B. Mikkelsen
statsautoriseret revisor
mne16675

# Company Information

| | |
|---|---|
| **The Company** | McCann Copenhagen ApS<br>Borgergade 14, 5.<br>DK-1300 København K<br><br>CVR No: 37 32 37 48<br>Financial period: 1 January - 31 December<br>Municipality of reg. office: Copenhagen |
| **Board of Directors** | Richard Bonner-Davies, Chairman<br>Cristobal Francisco Hödar<br>Tobias Smidth-Fibiger |
| **Executive Board** | Tobias Smidth-Fibiger |
| **Auditors** | PricewaterhouseCoopers<br>Statsautoriseret Revisionspartnerselskab<br>Strandvejen 44<br>DK-2900 Hellerup |
| **Bankers** | Danske Bank<br>Holmens Kanal 2<br>1090 København K |

# Management's Review

Financial Statements of McCann Copenhagen ApS for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

**Key activities**

The purpose of the company is to conduct advertising and marketing activities, as well as other activities that, in the opinion of the Executive Board, are associated herewith.

**Development in the year**

During the year under review, the company generated a Gross Profit of DKK 22.114.749. Profit for the financial year was DKK 28.047 and equity capital amounted to DKK 550.920 as at 31 December 2017.

The result generated by the company together with its financial trends were in line with the expectations and are considered satisfactory.

The agency has been in strong progress in 2017 with more than 50% growth in gross profits. The expectations for 2018 are positive and it is expected that the agency will grow further based on both existing and new clients.

**Unusual events**

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

**Subsequent events**

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

# Income Statement 1 January - 31 December

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | DKK | DKK |
| **Gross profit/loss** | | **22.114.749** | **14.200.544** |
| Staff expenses | 1 | -21.984.653 | -14.223.406 |
| Depreciation, amortisation and impairment of intangible assets and property, plant and equipment | 2 | -56.798 | -923.632 |
| **Profit/loss before financial income and expenses** | | **73.298** | **-946.494** |
| Financial income | | 53.750 | 4.140 |
| Financial expenses | 3 | -99.001 | -71.653 |
| **Profit/loss before tax** | | **28.047** | **-1.014.007** |
| Corporation Tax | 4 | 0 | 0 |
| **Net profit/loss for the year** | | **28.047** | **-1.014.007** |

# Distribution of profit

**Proposed distribution of profit**

| | 2017 | 2016 |
|---|---|---|
| Retained earnings | 28.047 | -1.014.007 |
| | **28.047** | **-1.014.007** |

# Balance Sheet 31 December

## Assets

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | DKK | DKK |
| Goodwill | | 0 | 0 |
| **Intangible assets** | 5 | **0** | **0** |
| Other fixtures and fittings, tools and equipment | | 58.645 | 86.064 |
| Leasehold improvements | | 19.911 | 0 |
| **Property, plant and equipment** | 6 | **78.556** | **86.064** |
| Deposits | | 409.568 | 399.582 |
| **Fixed asset investments** | 7 | **409.568** | **399.582** |
| **Fixed assets** | | **488.124** | **485.646** |
| Trade receivables | | 19.499.743 | 9.803.431 |
| Contract work in progress | 8 | 367.946 | 1.084.941 |
| Receivables from group enterprises | | 831.494 | 1.629.363 |
| Other receivables | | 40.677 | 23.720 |
| Prepayments | | 505.813 | 182.417 |
| **Receivables** | | **21.245.673** | **12.723.872** |
| **Cash at bank and in hand** | | **2.835.198** | **3.398.140** |
| **Currents assets** | | **24.080.871** | **16.122.012** |
| **Assets** | | **24.568.995** | **16.607.658** |

# Balance Sheet 31 December

## Liabilities and equity

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | DKK | DKK |
| Share capital | | 50.000 | 50.000 |
| Retained earnings | | 500.920 | 472.873 |
| **Equity** | | **550.920** | **522.873** |
| Payables to group enterprises | | 991.014 | 2.444.773 |
| **Long-term debt** | 9 | **991.014** | **2.444.773** |
| Trade payables | | 6.074.479 | 1.551.178 |
| Prepayments regarding work in progress | 8 | 8.000.635 | 4.785.342 |
| Payables to group enterprises | 9 | 3.386.706 | 2.894.923 |
| Other payables | | 5.565.241 | 4.408.569 |
| **Short-term debt** | | **23.027.061** | **13.640.012** |
| **Debt** | | **24.018.075** | **16.084.785** |
| **Liabilities and equity** | | **24.568.995** | **16.607.658** |
| Contingent assets, liabilities and other financial obligations | 10 | | |
| Related parties | 11 | | |
| Accounting Policies | 12 | | |

# Statement of Changes in Equity

| | Share capital | Retained earnings | Total |
|---|---|---|---|
| | DKK | DKK | DKK |
| Equity at 1 January | 50.000 | 472.873 | 522.873 |
| Net profit/loss for the year | 0 | 28.047 | 28.047 |
| **Equity at 31 December** | **50.000** | **500.920** | **550.920** |

# Notes to the Financial Statements

| | | 2017 | 2016 |
|---|---|---|---|
| | | DKK | DKK |
| **1** | **Staff expenses** | | |
| | Wages and salaries | 21.642.780 | 14.013.409 |
| | Pensions | 263.104 | 169.729 |
| | Other social security expenses | 78.769 | 40.268 |
| | | **21.984.653** | **14.223.406** |
| | **Average number of employees** | **35** | **26** |
| **2** | **Depreciation, amortisation and impairment of intangible assets and property, plant and equipment** | | |
| | Amortisation of intangible assets | 0 | 886.832 |
| | Depreciation of property, plant and equipment | 56.798 | 36.800 |
| | | **56.798** | **923.632** |
| **3** | **Financial expenses** | | |
| | Interest paid to group enterprises | 98.296 | 17.192 |
| | Other financial expenses | 705 | 54.461 |
| | | **99.001** | **71.653** |
| **4** | **Corporation Tax** | | |
| | Calculated 22% tax of profit before tax | 6.171 | -223.082 |
| | Permanent variances | 4.517 | 3.758 |
| | Adjustment of impaired tax assets | -10.688 | 219.324 |
| | | **0** | **0** |

# Notes to the Financial Statements

## 5 Intangible assets

| | Goodwill |
|---|---|
| | DKK |
| Cost at 1 January | 886.832 |
| Cost at 31 December | 886.832 |
| Impairment losses and amortisation at 1 January | 886.832 |
| Impairment losses and amortisation at 31 December | 886.832 |
| **Carrying amount at 31 December** | **0** |

## 6 Property, plant and equipment

| | Other fixtures and fittings, tools and equipment | Leasehold improvements |
|---|---|---|
| | DKK | DKK |
| Cost at 1 January | 121.822 | 0 |
| Additions for the year | 26.890 | 22.400 |
| Cost at 31 December | 148.712 | 22.400 |
| Impairment losses and depreciation at 1 January | 35.758 | 0 |
| Depreciation for the year | 54.309 | 2.489 |
| Impairment losses and depreciation at 31 December | 90.067 | 2.489 |
| **Carrying amount at 31 December** | **58.645** | **19.911** |

## 7 Fixed asset investments

| | Deposits |
|---|---|
| | DKK |
| Cost at 1 January | 399.582 |
| Additions for the year | 9.986 |
| Cost at 31 December | 409.568 |
| **Carrying amount at 31 December** | **409.568** |

# Notes to the Financial Statements

| | 2017 | 2016 |
|---|---|---|
| | DKK | DKK |

## 8 Contract work in progress

| | 2017 DKK | 2016 DKK |
|---|---|---|
| Selling price of work in progress | 47.054.428 | 16.607.317 |
| Payments received on account | -54.687.117 | -20.307.718 |
| | **-7.632.689** | **-3.700.401** |
| Recognised in the balance sheet as follows: | | |
| Contract work in progress recognised in assets | 367.946 | 1.084.941 |
| Prepayments received recognised in debt | -8.000.635 | -4.785.342 |
| | **-7.632.689** | **-3.700.401** |

## 9 Long-term debt

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

The debt falls due for payment as specified below:

| | 2017 DKK | 2016 DKK |
|---|---|---|
| **Payables to group enterprises** | | |
| Between 1 and 5 years | 991.014 | 2.444.773 |
| Long-term part | 991.014 | 2.444.773 |
| Within 1 year | 2.996.560 | 2.333.767 |
| Other short-term debt to group enterprises | 390.146 | 561.156 |
| Short-term part | 3.386.706 | 2.894.923 |
| | **4.377.720** | **5.339.696** |

# Notes to the Financial Statements

## 10 Contingent assets, liabilities and other financial obligations

**Contingent liabilities**

The company has taken on rent commitments of DKK 1.751k, of which DKK 893k is due in 2018.

The company has taken on leasing commitments of DKK 429k, of which DKK 222 is due in 2018.

Cash at bank includes restricted cash of DKK 1,864k.

## 11 Related parties

| | Basis |
|---|---|
| **Controlling interest** | |
| I&F Nordics Ltd., Cyprus | Controlling shareholder |
| I&F McCann Grupa d.o.o. Beograd, Serbia | Ultimate parent company |

**Consolidated Financial Statements**

The company's annual report is included in the consolidated financial statement of I&F McCann Grupa d.o.o, Belgrad. This company's consolidated financial statement can be ordered by writing to the Company.

| Name | Place of registered office |
|---|---|
| I&F McCann Grupa d.o.o. Beograd | Serbia |

# Notes to the Financial Statements

## 12 Accounting Policies

The Annual Report of McCann Copenhagen ApS for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year. Certain amounts have been reclassified in the comparative figures for 2016 to ensure the same presentation.

The Financial Statements for 2017 are presented in DKK.

### Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

# Notes to the Financial Statements

**12 Accounting Policies** (continued)

**Leases**

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

**Translation policies**

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

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

# Income Statement

**Revenue**

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year.  This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

# Notes to the Financial Statements

**12 Accounting Policies** (continued)

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

**Cost of creative production and other expenses**

Cost of creative production and other expenses comprise purchase of external services and consumables used to achieve net revenue for the year.

**Other external expenses**

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

**Gross profit/loss**

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

**Staff expenses**

Staff expenses comprise wages and salaries as well as payroll expenses.

**Amortisation, depreciation and impairment losses**

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

**Other operating income and expenses**

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

**Financial income and expenses**

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

**Corporation Tax**

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.

# Notes to the Financial Statements

**12 Accounting Policies** (continued)

## Balance Sheet

**Intangible assets**

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5 years.

**Property, plant and equipment**

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

| | |
|---|---|
| Other fixtures and equipment | 3 - 5 years |
| Leasehold improvements | Expiration of lease |

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 12,900 are expensed in the year of acquisition.

**Impairment of fixed assets**

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

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

**Fixed asset investments**

Fixed asset investments consist of deposits regarding rent.

**Receivables**

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

# Notes to the Financial Statements

**12 Accounting Policies** (continued)

### Contract work in progress

Contract work in progress regarding service is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

### Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums and subscriptions etc.

***Dividend***

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

### Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.