McCann Copenhagen ApS

Borgergade 14, 5.
1300 Copenhagen
Denmark

CVR no. 37 32 37 48

Annual report for the period 1 January – 31 December 2018

The annual report was presented and approved at the Company's annual general meeting on

22 May 2019

Richard Bonner-Davies
chairman

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of McCann Copenhagen ApS for the financial year 1 January – 31 December 2018.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018.

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 22 May 2019
Executive Board:

Tobias Smidth-Fibiger

Board of Directors:

Richard Bonner-Davies Chairman	Tobias Smidth-Fibiger

Independent auditor's report

To the shareholders of McCann Copenhagen ApS

Opinion

We have audited the financial statements of McCann Copenhagen ApS for the financial year 1 January – 31 December 2018 comprising 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 Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility 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 that 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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 company 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

Independent auditor's report

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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

— evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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 Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 22 May 2019
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Morten Høgh-Petersen
State Authorised
Public Accountant
mne34283

Management's review

Company details

McCann Copenhagen ApS
Borgergade 14, 5.
1300 Copenhagen
Denmark

CVR no.:	37 32 37 48
Registered office:	Copenhagen
Financial year:	1 January – 31 December

Board of Directors

Richard Bonner-Davies, Chairman
Tobias Smidth-Fibiger

Executive Board

Tobias Smidth-Fibiger

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen
Denmark

Management's review

Operating review

Principal activities

The company's principal business activity is namely advertising agency activities.

Development in activities and financial position

During the year under review, the company generated a Gross Profit of DKK 23,981 thousand. Profit for the financial year was DKK 121 thousand and equity capital amounted to DKK 672 thousand as at 31 December 2018.

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

The expectations for 2019 are positive and it is expected that the agency will grow further based on both existing and new clients.

Events after the balance sheet date

There have been no significant events after the balance sheet date that have had a significant effect on the assessment of the Annual Report.

Financial statements 1 January – 31 December

Income statement

DKK	Note	2018	2017
Gross profit		23,981,021	22,114,749
Staff costs	2	-23,649,385	-21,984,653
Depreciation, amortisation and impairment		-58,675	-56,798
Operating profit		272,961	73,298
Financial income		2,383	53,750
Financial expenses	3	-154,396	-99,001
Profit before tax		120,948	28,047
Tax on profit/loss for the year		0	0
Profit for the year		120,948	28,047

Proposed profit appropriation

Retained earnings		120,948	28,047
		120,948	28,047

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2018	31/12 2017
ASSETS			
Fixed assets			
Property, plant and equipment	4		
Fixtures and fittings, tools and equipment		171,399	58,645
Leasehold improvement		9,955	19,911
		181,354	78,556
Investments			
Deposits		419,117	409,568
Total fixed assets		600,471	488,124
Current assets			
Receivables			
Trade receivables		13,237,228	19,499,743
Receivables from group entities		63,519	831,494
Contract work in progress	5	1,063,100	367,946
Other receivables		91,468	40,677
Prepayments		80,112	505,813
		14,535,427	21,245,673
Cash at bank and in hand		4,270,530	2,835,198
Total current assets		18,805,957	24,080,871
TOTAL ASSETS		19,406,428	24,568,995

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2018	31/12 2017
EQUITY AND LIABILITIES			
Equity			
Share premium		50,000	50,000
Retained earnings		621,868	500,920
Total equity		671,868	550,920
Liabilities			
Non-current liabilities other than provisions	6		
Payables to group entities		621,156	991,014
Current liabilities other than provisions			
Trade payables		1,888,041	6,074,479
Payables to group entities	6	3,036,538	3,386,706
Other payables		5,174,191	5,565,241
Prepayments received regarding work in progress	5	8,014,634	8,000,635
		18,113,404	23,027,061
Total liabilities		18,734,560	24,018,075
TOTAL EQUITY AND LIABILITIES		19,406,428	24,568,995
Contractual obligations, contingencies, etc.	7		
Related party disclosures	8		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK	Contributed capital	Retained earnings	Total
Equity at 1 January 2018	50,000	500,920	550,920
Transferred over the profit appropriation	0	120,948	120,948
Equity at 31 December 2018	50,000	621,868	671,868

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of McCann Copenhagen ApS for 2018 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

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

The financial statements are presented in DKK.

Leases

On initial recognition, leases for fixed assets that transfer substantially all risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet at the lower of fair value and the net present value of future lease payments. When calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently treated as the Company's other fixed assets.

The capitalised lease obligation is recognised in the balance sheet as a liability at amortised cost, allowing the interest element of the lease payment to be recognised in the income statement over the term of the lease.

All other leases are operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations and contingencies, etc.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates 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, payables and other monetary items denominated in foreign currencies are translated at the exchange rates 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 latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

IRevenue 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 services 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

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

the service.

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 costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Gross Profit

Pursuant to Section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of intangible assets and property, plant and equipment.

Other operating costs

Other operating costs comprise items secondary to the activities of the entity, including losses on the disposal of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Balance sheet

Property, plant and equipment

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	Expiration of lease

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Investments

Investments consist of deposits and are measured at cost.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined on the basis of historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Contract work in progress

Contract work in progress regarding services is measured at the selling price of the work performed less progress billings and expected losses. The selling price is measured on the basis of the stage of completion at the balance sheet date and the projected income from the individual contract. The stage of completion is stated as the share of costs incurred in proportion to estimated total costs relating to the individual contract.

When the selling price of a contract cannot be estimated reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual contract is recognised in the balance sheet as receivables or payables, respectively. Net assets comprise the total of contracts where the selling price of the work performed exceeds progress billings. Net liabilities comprise the total of contracts where progress billings exceed the selling price.

Costs arising from sales work and contracting are recognised in the income statement as incurred.

Prepayments

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

Equity

Dividends

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

Prepayments received regarding work in progress

Prepayments received regarding work in progress comprise payments received regarding income in subsequent financial years.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; 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. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with 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. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

Financial statements 1 January – 31 December

Notes

2 Staff costs

DKK	2018	2017
Wages and salaries	23,267,585	21,642,780
Pensions	295,725	263,104
Other social security costs	86,075	78,769
	23,649,385	21,984,653
Average number of full-time employees	38	35

3 Financial expenses

DKK	2018	2017
Interest expense to group entities	66,382	98,296
Other financial costs	88,014	705
	154,396	99,001

4 Property, plant and equipment

DKK	Fixtures and fittings, tools and equipment	Leasehold improvement	Total
Cost at 1 January 2018	148,712	22,400	171,112
Additions	161,473	0	161,473
Cost at 31 December 2018	310,185	22,400	332,585
Depreciation and impairment losses at 1 January 2018	-90,067	-2,489	-92,556
Depreciation for the year	-48,719	-9,956	-58,675
Depreciation and impairment losses at 31 December 2018	-138,786	-12,445	-151,231
Carrying amount at 31 December 2018	171,399	9,955	181,354

5 Contract work in progress

DKK	2018	2017
Revenue on work in progress	76,250,499	47,054,428
Payments received on account	-83,202,033	-54,687,117
	-6,951,534	-7,632,689
Recognised in the balance sheet as follows		
Contract work in progress recognised in assets	1,063,100	367,946
Prepayments received recognised in debt	-8,014,634	-8,000,635
	-6,951,534	-7,632,689

Financial statements 1 January – 31 December

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6 Non-current liabilities other than provisions

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:

Payables to group enterprises

DKK	31/12 2018	31/12 2017
Between 1 and 5 years		
	621,651	991,014
Long-term part	621,651	991,014
Within 1 year		
Within 1 year	2,355,285	2,996,560
Other short-term debt to group enterprises	681,253	390,146
Short-term part	3,036,538	3,386,706

7 Contractual obligations, contingencies, etc.

Contingent liabilities

The company has taken rent commitments of DKK 912 thousand, of which DKK 912 thousand is due in 2019.

The company has taken on leasing commitments of DKK 357 thousand, og which DKK 234 thousand is due in 2019.

8 Related party disclosures

Control

I&F Nordics Ltd., Cyprus

I&F Grupa d.o.o. Beograd Serbia

Consolidated financial statements

McCann Copenhagen ApS is part of the consolidated financial statements of I&F Grupa d.o.o., Belgrad, in which the Company is included as a subsidiary.

The consolidated financial statements of can be obtained by contacting the companies at the addresses above.