

McCann Copenhagen ApS

Borgergade 14, 5.
1300 Copenhagen
Denmark

CVR no. 37 32 37 48

Annual report 2019

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

25 June 2020

Richard Bonner-Davies
chairman



McCann Copenhagen ApS
Annual report 2019
CVR no. 37 32 37 48

Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Company details	5
Operating review	6
Financial statements 1 January – 31 December	7
Income statement	7
Balance sheet	8
Statement of changes in equity	10
Notes	11

McCann Copenhagen ApS
Annual report 2019
CVR no. 37 32 37 48

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 2019.

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 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019.

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, 25 June 2020

Executive Board:



Tobias Smidth-Fibiger

Board of Directors:



Richard Bonner-Davies



Tobias Smidth-Fibiger



Maja Andelic



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 2019 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 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 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



Independent auditor's report

involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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, 25 June 2020

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Morten Høgh-Petersen
State Authorised
Public Accountant
mne34283

McCann Copenhagen ApS
Annual report 2019
CVR no. 37 32 37 48

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
Tobias Smidth-Fibiger
Maja Andelic

Executive Board

Tobias Smidth-Fibiger

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen
Denmark

Management's review

Operating review

Principal activities

McCann Copenhagen including the brand McCann Health Nordic is an international lead-agency that make brands play a meaningful role in people's lives.

McCann works with two different core areas:

McCann Copenhagen is a strategic and creative brand-agency that includes advanced capabilities within analysis, business development and brand development.

McCann Health Nordic is a strategic Health- and pharma agency that exclusively works with strategic and scientific based marketing and brand communications for some of the world's biggest Health, Pharma and Med-Tech companies – both in Denmark and abroad.

Development in activities and financial position

During the year under review, the company generated a Gross Profit of DKK 20.878 thousand. Net loss for the financial year was DKK 713 thousand and equity capital amounted to DKK 689 thousand as at 31 December 2019.

2019 has been a transformational year with massive investments in strengthening the capability set within McCann Health Nordic with the focus of increased strategic, scientific and creative strength.

There has in parallel been investments in strengthening the positioning further for McCann Copenhagen.

Both investments have been a long-term strategic decision to strengthen the agency's collective competitiveness and have had a negative effect on the bottom line. The management team in McCann is however satisfied with the 2019 result on that basis.

The expectations for 2020 are positive. However the Covid-19 pandemic will result in a lower overall activity leading to lower turnover. The net profit is expected to be positive.

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	2019	2018
Gross profit		20,877,705	23,981,021
Staff costs	2	-21,312,168	-23,649,385
Depreciation	3	-159,054	-58,675
Operating profit/loss		-593,517	272,961
Financial income		0	2,383
Financial expenses	4	-119,627	-154,396
Profit/loss before tax		-713,144	120,948
Tax on profit/loss for the year	5	0	0
Profit/loss for the year		-713,144	120,948
Proposed profit appropriation/distribution of loss			
Retained earnings		-713,144	120,948
		-713,144	120,948

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2019	31/12 2018
ASSETS			
Fixed assets			
Property, plant and equipment			
Fixtures and fittings, tools and equipment	6	241,859	171,399
Leasehold improvement		0	9,955
		<u>241,859</u>	<u>181,354</u>
Investments			
Deposits		<u>429,825</u>	<u>419,117</u>
Total fixed assets		<u>671,684</u>	<u>600,471</u>
Current assets			
Receivables			
Trade receivables		10,776,604	13,237,228
Receivables from group entities		7,605	63,519
Contract work in progress	7	267,193	1,063,100
Other receivables		20,362	91,468
Prepayments		<u>71,992</u>	<u>80,112</u>
		<u>11,143,756</u>	<u>14,535,427</u>
Cash at bank and in hand		<u>3,480,555</u>	<u>4,270,530</u>
Total current assets		<u>14,624,311</u>	<u>18,805,957</u>
TOTAL ASSETS		<u>15,295,995</u>	<u>19,406,428</u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2019	31/12 2018
EQUITY AND LIABILITIES			
Equity			
Share premium		50,000	50,000
Retained earnings		<u>638,839</u>	<u>621,868</u>
Total equity		<u>688,839</u>	<u>671,868</u>
Liabilities			
Non-current liabilities			
Payables to group entities	8	<u>1,866,376</u>	<u>621,156</u>
Current liabilities			
Trade payables		2,255,687	1,888,041
Payables to group entities	8	347,380	3,036,538
Other payables		3,531,760	5,174,191
Prepayments received regarding work in progress	7	<u>6,605,953</u>	<u>8,014,634</u>
		<u>12,740,780</u>	<u>18,113,404</u>
Total liabilities		<u>14,607,156</u>	<u>18,734,560</u>
TOTAL EQUITY AND LIABILITIES		<u>15,295,995</u>	<u>19,406,428</u>
Contractual obligations, contingencies, etc.	9		
Related party disclosures	10		
Capital Resources	11		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK	Contributed capital	Retained earnings	Total
Equity at 1 January 2019	50,000	621,868	671,868
Transferred over the profit appropriation	0	-713,144	-713,144
Contribution from group	0	730,115	730,115
Equity at 31 December 2019	50,000	638,839	688,839

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of McCann Copenhagen ApS for 2019 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

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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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 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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

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

	2019	2018
DKK		
Wages and salaries	20,963,272	23,267,585
Pensions	271,830	295,725
Other social security costs	77,066	86,075
	<u>21,312,168</u>	<u>23,649,385</u>
Average number of full-time employees	<u>34</u>	<u>38</u>

3 Depreciations

	2019	2018
DKK		
Leasehold improvements	42,755	9,956
Furniture and Fixtures	116,299	48,719
	<u>159,054</u>	<u>58,675</u>

4 Financial expenses

	2019	2018
DKK		
Interest expense to group entities	57,566	66,382
Other financial costs	62,061	88,014
	<u>119,627</u>	<u>154,396</u>

5 Tax on profit/loss for the year

	2019	2018
DKK		
Calculated 22% tax of profit before tax	-156,892	26,609
Permanent variances	2,293	2,847
Adjustment of impaired tax assets	154,599	-29,456
	<u>0</u>	<u>0</u>

Financial statements 1 January – 31 December

Notes

6 Tangible fixed assets

DKK	Fixtures and fittings, tools and equipment	Leasehold improvement	Total
Cost at 1 January 2019	310,185	22,400	332,585
Additions	186,759	32,800	219,559
Cost at 31 December 2019	496,944	55,200	552,144
Depreciation and impairment losses at 1 January 2019	-138,786	-12,445	-151,231
Depreciation for the year	-116,299	-42,755	-159,054
Depreciation and impairment losses at 31 December 2019	-255,085	-55,200	-310,285
Carrying amount at 31 December 2019	241,859	0	241,859

7 Contract work in progress

DKK	2019	2018
Revenue on work in progress	81,963,435	76,250,499
Payments received on account	-88,302,195	-83,202,033
	-6,338,760	-6,951,534
Recognised in the balance sheet as follows		
Contract work in progress recognised in assets	267,193	1,063,100
Prepayments received recognised in debt	-6,605,953	-8,014,634
	-6,338,760	-6,951,534

8 Non-current liabilities

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 2019	31/12 2018
Between 1 and 5 years	1,866,376	621,156
Long-term part	1,866,376	621,156
Within 1 year		
Within 1 year	0	2,355,285
Other short-term debt to group enterprises	347,380	681,253
Short-term part	347,380	3,036,538
	2,213,756	3,657,694

Financial statements 1 January – 31 December

Notes

9 Contractual obligations, contingencies, etc.

Contingent liabilities

The company has taken rent commitments of DKK 411 thousand, of which DKK 411 thousand is due in 2020.

The company has taken on leasing commitments of DKK 311 thousand, of which DKK 258 thousand is due in 2020.

10 Related party disclosures

Control

Controlling shareholder: I&F Nordics Ltd., Cyprus

Ultimate parent company: 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.

11 Capital resources

I&F McCann Grupa d.o.o. Beograd, as the ultimate parent company, has provided guaranties to McCann Copenhagen ApS to ensure that the equity shall at a minimum be equivalent to the registered share capital at all times and which shall remain in place as long as I&F McCann Grupa d.o.o. Beograd is the 100% owner of McCann Copenhagen ApS.