

Hearts & Science A/S

Møntergade 1
1116 København K

CVR no. 39 70 00 18

Annual report 1 July 2018 – 31 December 2019

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

on _____ 20 ____

chairman of the annual general meeting

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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 Hearts & Science A/S for the financial year 1 July 2018 – 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 July 2018 – 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

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

Copenhagen, July 8, 2020
Executive Board:

Jørgen Dueholm
CEO

Board of Directors:

Peter Gottfredsen
Chairman

Frank Andersen

Jesper Lundgren

Independent auditor's report

To the shareholders of Hearts & Science A/S

Opinion

We have audited the financial statements of Hearts & Science A/S for the financial year 1 July 2018 – 31 December 2019 comprising income statement, balance sheet 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 July 2018 – 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.

Independent auditor's report

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 financial statement 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 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 the Management's review

Management is responsible for the Management's review.

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

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

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

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

Copenhagen, July 8, 2020

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

David Olafsson
State Authorised
Public Accountant
MNE no. 19737

Hearts & Science A/S
Annual report 2019
CVR no. 25 11 23 50

Management's review

Company details

Hearts & Science A/S
Møntergade 1
1116 København K

CVR no.: 39 70 00 18
Financial period: 1 January – 31 December (first year 1 July 2018 – 31 December 2019)
Established: 1 July 2018
Registered office: Copenhagen

Board of Directors

Peter Gottfredsen, Chairman
Frank Andersen
Jesper Lundgren

Executive Board

Jørgen Dueholm, CEO

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 København Ø
Denmark

General meeting

The annual general meeting is held on July 8, 2020 at the Company's address.

Management's review

Operating review

Principal activities

Hearts & Science provides a wide range of specialist services, that is offered to advertisers in the form of consultancy projects in the areas of; business growth plans, marketing strategy, media investment, digital performance optimisation, marketing intelligence and reporting.

The Company has an integrated cooperation with some of Denmark's largest advertisers and processes media orders and buying on behalf of these companies.

The company offers these services primarily in Denmark and the other Nordic countries.

Business development and finances

This is the first year that the company is presenting the annual report. The company's profitability and financial development is in line with the expectations from the management.

Subsequent events

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

Expectations of the future

More than half of the company's share capital has thus been lost, and the company is subject to the provisions on capital loss in section 119 of the danish comapinies act

The parent company, Omicom Media Group A/S, has issued a support letter to the company, which confirms that the parent company will ensure that the company has sufficient liquidity to meet its liabilities.

Furthermore it is managements expectation that the negative equity will be re-established through future earnings.

As a consequence of the outbreak of COVID-19, the Company's financial position for 2020/21 is expected to be adversely affected.

Despite the government aid packages launched, Management expects a decline in revenue for the year and results before tax in the coming financial year. The impact on the Company's performance relies on the scope of the Government's measures to curtail the spread, including the duration of the restrictions, and is therefore uncertain and impossible to quantify at the present moment.

Financial statements 1 July 2018 – 31 December 2019

Income statement

DKK'000	Note	2018-19
Revenue	2	4,773
Other external costs		<u>-1,708</u>
Gross profit		3,065
Staff costs	3	<u>-4,082</u>
Operating loss		-1,017
Financial income		0
Financial expenses	4	<u>-8</u>
Loss from ordinary activities before tax		-1,025
Tax on profit for the year	5	<u>225</u>
Loss for the year		<u><u>-800</u></u>
Proposed distribution of loss		
Proposed dividend for the financial year		0
Retained earnings		<u>-800</u>
		<u><u>-800</u></u>

Financial statements 1 July 2018 – 31 December 2019

Balance sheet

DKK'000	Note	2018-19
ASSETS		
Receivables		
Trade receivables		12,438
Contract work in progress	6	74
Amounts owed by group entities		5,764
Other receivables		308
Corporate tax		225
Prepayments		0
		<u>18,809</u>
Cash at bank and in hand		<u>0</u>
Total current assets		<u>18,809</u>
TOTAL ASSETS		<u>18,809</u>

Financial statements 1 July 2018 – 31 December 2019

Balance sheet

DKK'000	Note	2018-19
EQUITY AND LIABILITIES		
Equity	7	
Share capital		500
Retained earnings		-800
Proposed dividend		0
Total equity		<u>-300</u>
Liabilities other than provisions		
Current liabilities other than provisions		
Trade payables		8,185
Contract work in progress	6	822
Amounts owed to group entities/associates		7,392
Tax payable		0
Other payables		2,711
Prepayments		0
		<u>19,109</u>
Total liabilities other than provisions		<u>19,109</u>
TOTAL EQUITY AND LIABILITIES		<u><u>18,809</u></u>
Contingent liabilities and security	8	
Related parties disclosure	9	

Financial statements 1 July 2018 – 31 December 2019

Notes

1 Accounting policies

The annual report of Hearts & Science A/S for 1 July 2018 – 31 December 2019 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with additions from higher accounting classes.

The annual report of Hearts & Science A/S for 1 July 2018 – 31 December 2019 is the first annual report for the company.

The annual report of Hearts & Science is included in the consolidated financial statements of Omnicom Media Group A/S.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits 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 from the Company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Going concern

More than half of the company's share capital has thus been lost, and the company is subject to the provisions on capital loss in section 119 of the Danish Companies Act.

The parent company, Omnicom Media Group A/S, has issued a support letter to the company, which confirms that the parent company will ensure that the company has sufficient liquidity to meet its liabilities.

Furthermore it is management's expectation that the negative equity will be re-established through future earnings.

Financial statements 1 July 2018 – 31 December 2019

Notes

1 Accounting policies (continued)

Income statement

Revenue

Revenue consists of media revenue and revenue regarding consultancy services.

Media invoicing to customers is recognised in the income statement provided that delivery and transfer of risk to the buyer has taken place before year end and that the income can be reliably measured and is expected to be received. Media revenue is measured ex. VAT, tax charged and rebates in connection with the sale. We act as an agent and revenue is recognised as invoicing to customers less media expenses.

Contract work in progress is recognised as revenue as the production is carried out. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage of completion method). Revenue is recognised when total income and expenses and the stage of completion of the contract at the balance sheet date can be reliably calculated and when it is probable that the economic benefits, including payment, will flow to the Group.

Other external costs

Other external costs comprise expenses for sale, advertising, administration, premises, etc.

Staff costs

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

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts regarding the financial year. Financial income and expenses comprise interest income and expense, realised and unrealised gains and losses on securities, payables and transactions denominated in foreign currencies as well as surcharges and refunds under the on-account tax scheme, etc.

Financial statements 1 July 2018 – 31 December 2019

Notes

1 Accounting policies (continued)

Tax on profit for the year

Tax for the year comprises current tax and changes in deferred tax for the year. 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.

The Company is jointly taxed with the other Omnicom companies in Denmark. The tax effect of the joint taxation is allocated in proportion to the taxable income (full absorption).

Balance sheet

Property, plant and equipment

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Depreciation is provided on a straight line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Fixtures and fittings, tools and equipment	3-5 years
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Property, plant and equipment are written down to the recoverable amount if this is lower than the carrying amount. Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired.

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

Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses.

Financial statements 1 July 2018 – 31 December 2019

Notes

1 Accounting policies (continued)

Contract work in progress

Contract work in progress is measured at the 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.

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

Contract work in progress is recognised in the balance sheet under receivables or payables, depending on the net amount of the selling price less progress billings and prepayments.

Selling costs and costs incurred in securing contracts are recognised in the income statement when incurred

Prepayments, assets

Prepayments comprise costs incurred concerning subsequent financial years.

Corporation tax and deferred tax

Current tax payable and receivable is recognised on 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 base of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Financial statements 1 July 2018 – 31 December 2019

Notes

1 Accounting policies (continued)

Liabilities

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

Trade payables and amounts owed to group entities are recognised at cost.

Subsequently, these financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value.

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 at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at 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.

Financial statements 1 July 2018 – 31 December 2019

Notes

	2018-19
DKK'000	
2 Revenue	
Invoicing to customers	30,615
Media expenses, etc.	-25,842
	<u>4,773</u>
3 Staff costs	
Wages and salaries	3,756
Pensions	270
Other social security costs	23
Other staff costs	33
	<u>4,082</u>
Average number of full-time employees	<u>4</u>
4 Financial expenses	
Other financial expenses	8
	<u>8</u>

Financial statements 1 July 2018 – 31 December 2019

Notes

DKK'000		2018-19			
5	Tax on profit from ordinary activities				
	Current tax for the year/joint taxation contribution	-225			
	Adjustment of deferred tax	0			
		<u>-225</u>			
6	Contract work in progress				
	Contract work in progress	74			
	Work in progress, payments received on account	-822			
		<u>-748</u>			
	Recognised in the balance sheet as follows:				
	Contract work in progress (assets)	74			
	Contract work in progress (liabilities)	-822			
		<u>-748</u>			
7	Equity				
		Share capital	Retained earnings	Proposed dividend	Total
	DKK'000				
	Paid in capital at 1 July 2018	500	0	0	500
	Net loss for the year	0	-800	0	-800
	Equity at 31 December 2019	<u>500</u>	<u>-800</u>	<u>0</u>	<u>-300</u>

The share capital consists of 500,000 shares of a nominal value of DKK 1. No shares carry any special rights.

Financial statements 1 July 2018 – 31 December 2019

Notes

8 Contingent liabilities and security

The company has no lease commitments.

Joint taxation

The Company is jointly taxed with the group of Danish subsidiaries. The administrative company, together with the group of Danish subsidiaries included in the joint taxation, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends and interest. The jointly taxed companies' net liabilities to SKAT appears in the administrative company's annual report, DDB Copenhagen A/S, CVR no. 24 25 69 44. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, interest and royalties may entail that the Company's liability will increase.

9 Related parties and ownership

Hearts & Science A/S' related parties include Omnicom Media Group A/S and group enterprises as well as the companies' Board of Directors', Executive Board, executive employees and family members. Related parties also include companies in which the above persons have substantial interests.

Controlling interest

Omnicom Media Group A/S, Midtermolen 3, 2100 Copenhagen Ø, Denmark, which is the major shareholder.

Ownership

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

Omnicom Media Group A/S
Midtermolen 3
2100 København Ø
Denmark

Consolidated annual report

Consolidated annual report can be required at owner (see above). The supreme parent is Omnicom Group Inc., and their consolidated annual report can be required at:

Omnicom Group Inc.
437 Madison Avenue
New York, New York 10022

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Frank Boe Aagaard Andersen

Underskriver

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Peter Gottfredsen

Underskriver

Serienummer: PID:9208-2002-2-765052496063

IP: 5.33.xxx.xxx

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David Olafsson

Underskriver

Serienummer: PID:9208-2002-2-279797654008

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Jesper Ole Lundgren

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