


Netflix Services Denmark ApS

Annual report as at and for the year ended
31 December 2021

Registration number: 42412929

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Reginald Thompson
Chairman

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Robertjan Dekker
Director

Date: 21/6/2022

Netflix Services Denmark ApS

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Directors' responsibilities statement

The Board of Directors have today considered and adopted the Annual Report of Netflix Services Denmark ApS for the financial year 26 May 2021 – 31 December 2021. The directors are responsible for preparing the Annual Report in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

21 June 2022

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Reg Thompson

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Robertjan Dekker

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Robertjan Dekker

Director

Netflix Services Denmark ApS

Financial statements

Statement of comprehensive income

For the period ended 31 December

(In thousand DKK)

	Note	2021
Revenue	2.1	3,759
General and administrative expenses	2.2	(3,520)
Operating profit		239
Finance costs		(115)
Finance cost - net		(115)
Profit before income tax		124
Income tax expense	2.3	(27)
Profit for the year		97
Total comprehensive income for the year		97

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

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Financial statements

Balance sheet

As at 31 December

(In thousand DKK)

	Note	2021
Assets		
Current assets		
Cash and cash equivalents	3.1	16,367
Trade and other receivables	3.2	4,343
Total current assets		20,710
Non-current assets		
Deferred tax assets	3.4	51
Total non-current assets		51
Total assets		20,761
Equity		
Share capital	4.4	20,000
Retained earnings		97
Total equity		20,097
Liabilities		
Current liabilities		
Trade and other payables	3.5	586
Current tax liabilities		79
Total current liabilities		665
Total equity and liabilities		20,762

The above balance sheet should be read in conjunction with the accompanying notes.

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Statement of changes in equity

For the period ended 31 December

(In thousand DKK)

Attributable to equity owner of

Netflix Services Denmark ApS

	Share capital	Retained earnings	Total equity
26 May 2021	—	—	—
Profit for the year	—	97	97
Total comprehensive income/(loss) for the year	—	97	97
Contributions of equity	20,000	—	20,000
31 December 2021	20,000	97	20,097

The above statement of changes in equity should be read in conjunction with the accompanying notes.

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Statement of cash flows

For the year ended 31 December

(In thousand DKK)

	Note	2021
Cash flows from operating activities		
Operating profit before income tax		124
<i>Adjustments for:</i>		
<i>Changes in operating assets and liabilities:</i>		
- Decrease/(increase) in trade and other receivables		(4,343)
- Increase/(decrease) in trade and other payables		586
Net cash inflow from operating activities		(3,633)
Cash flows from investing activity		—
Net cash outflow from investing activities		—
Cash flows from financing activities		
Share capital		20,000
Net cash flow outflow from financing activities		20,000
Net increase in cash and cash equivalents		16,367
Cash and cash equivalents at the beginning of the financial year		—
Cash and cash equivalents at end of the financial year	3.1	16,367

The above statement of cash flows should be read in conjunction with the accompanying notes.

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Notes to the financial statements

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1 About this report

1.1 General information

1.1.1 Activities

Netflix Services Denmark ApS (hereafter the Company) is a limited liability company. The Company is part of the Netflix group, one of the world's leading entertainment services. The corporate purpose of the Company is to provide streaming support services to Netflix International B.V. and content support services to Netflix, Inc.

The Company has its registered office at Langelinje Allé 35, 2100, Copenhagen, Denmark.

The Company's financial year covers the period from 1 January through 31 December of each year. These financial statements however cover the period from incorporation being 26 May 2021 to 31 December 2021 as this is the first period in operation. The Company's financial statements are scheduled to be approved during our annual general meeting on 21 June 2022.

1.1.2 Going concern assumption

These financial statements disclose all matters relevant to the Company's ability to continue as a going concern, including all significant conditions and events. The Company has the intention and ability to take actions necessary to continue as a going concern.

1.1.3 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU and additional Danish requirements applicable to reporting class B entities.

Details of the Company's accounting policies are included within the relevant note where applicable, or disclosed in Note 4.6.

1.1.4 Basis of measurement

These financial statements have been prepared on a historical cost basis, unless otherwise stated.

1.1.5 Functional and presentational currency

These financial statements are presented in Danish Krone (DKK), which is also the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise stated.

1.1.6 Current or non-current classification

Current assets include assets that are consumed or realised as part of the normal operating cycle, being 12 months, other assets are classified as non-current. Current liabilities include all liabilities unless the group has a contractual or unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2 Business performance

2.1 Revenue

	2021
Revenue from services rendered	3,759
	3,759

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Notes to the financial statements

Revenue comprises the consideration receivable for the provision of services, and is shown net of tax collected from third parties. This is based on the costs the company incurs, plus an agreed margin. The Company recognises revenue when these services have been provided, can be reliably estimated and when it is probable that the consideration will be received. There are no significant judgements made in the recognition of revenue. The Company has only one operating segment, the whole of revenue is attributable to this segment. All revenues are from related parties, refer to note 4.3.

2.2 General and administrative expenses

	Note	2021
Employee benefits	2.2.1	2,607
Lease Expenses	3.3	225
Professional fees		116
Facilities expenses		89
Travel expenses		72
Other expenses		411
		3,520

2.2.1 Employee benefits

	2021
Salaries and wages	2,341
Social security contributions	8
Defined contribution plans and national pension	163
Stock-based compensation	36
Other personnel expenses	59
	2,607

2.2.2 Average number of employees

During the year, the average number of employees calculated on a full-time-equivalent basis was 3.

2.2.3 Share based payments

The Company's employees participate in a share-option plan. The ultimate parent company Netflix, Inc. grants fully vested non-qualified share options to employees of the Company on a monthly basis. The options remain exercisable for a period of ten years from grant date, regardless of employment status. Each option is convertible into one ordinary share. Options granted under the plan carry no dividend or voting rights.

Set out below are summaries of options granted to employees of the Company under the plan (in USD):

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	2021			
	Average exercise price	Number of options	Weighted average exercise period (years)	Aggregate intrinsic value
At 26 May	\$0.00	—	—	—
Granted	\$636.82	19	0	0
Exercised	\$0.00	—	—	—
At 31 December	\$636.82	19	10.00	\$0
Vested and exercisable		19		

There were no share options exercised in the year.

The grant and expiry details of outstanding options are detailed below (in USD):

Year of grant	Year of expiry	2021	
		Average exercise price	Number of options
2021	2031	\$636.82	19
		\$636.82	\$636.82

Fair value measurement

The exercise price is based on the closing price of the Company's share on the date of grant. The fair value at grant date is calculated using a lattice-binomial model. This model requires the input of highly subjective assumptions. Changes in the subjective input assumptions can materially affect the estimate of fair value of options granted and our results of operations could be impacted. The following table summarises the assumptions used to value option grants using the lattice binomial model and the valuation data.

	2021
Dividend yield	0%
Expected volatility	34-41%
Risk-free interest rate	1.08-1.62%
Suboptimal exercise factor	3.81 - 3.98
Valuation data	
Weighted-average fair value (per share)	\$259.01
Total stock-based compensation expense (in DKK)	36,315

In valuing shares issued under the Netflix, Inc. employee share option plans, the Company calculates expected volatility based solely on implied volatility. The Company believes that implied volatility of publicly traded options in Netflix, Inc. ordinary shares is more reflective of market conditions, and given consistently high trade volumes of the options, can reasonably be expected to be a better indicator of expected volatility than historical volatility of Netflix, Inc. ordinary shares. The Company bases the risk-free interest rate on U.S treasury zero coupon issues with terms similar to the contractual term of the options. Netflix, Inc. does not anticipate paying any cash dividends in the foreseeable future and therefore uses an expected dividend yields of zero in the option valuation model. The Company does not use a post-vesting termination rate as options are fully vested upon grant date.

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2.3 Income tax expense

	2021
Current tax expense	
Current year	78
	78
Deferred tax expense	
Temporary differences	(51)
Total income tax expense	27

The tax on the profit before tax differs from the statutory amount that would arise using the tax rate applicable to profits of the Company is as follows:

	2021
Profit before tax	124
Income tax using the domestic tax rate of (2021: 22%)	27
Income tax expense	27

i. Estimation uncertainty of income tax

The Company records a provision for income taxes for the anticipated tax consequences of its reported results using the asset and liability method. There are no uncertain tax positions within the provision for income taxes. The Company only recognises a tax benefit if it is more likely than not that the tax position will be sustained on examination by the tax authorities, based on the technical merits of the position.

ii. Corporate income tax

The income tax expense comprises current tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company

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is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

3 Operating assets and liabilities

3.1 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and amounts in transit from payment processors for credit card and debit card transactions.

The cash flow statement has been prepared using the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. In the statement of cash flows, bank overdrafts are shown as cash, however in the balance sheet they are within borrowings in current liabilities or non-current liabilities.

All cash and cash equivalents are at the Company's free disposal.

3.2 Trade and other receivables

	Note	2021
Due from Netflix Group Companies	4.5	3,669
Prepaid expenses		228
Value-added tax		186
Other receivables		260
		4,343

Trade and other receivables are amounts due from customers for services rendered in the ordinary course of business. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less a provision for impairment when applicable. The receivables due from Netflix Group companies are unsecured, they bear no interest, are short-term in nature and are periodically settled.

3.3 Leases

Short-term leases and leases of low-value assets

The Company leases office space and has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases (less than 12 months). The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.4 Deferred tax assets

	2021
The balance comprises temporary differences attributable to:	
Leasehold improvements	51
Net deferred tax assets	51

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3.5 Trade and other payables

	Note	2021
Trade payables		242
Other liabilities and accrued expenses		344
		586

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

4 Other

4.1 Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The Company seeks to manage risk to minimise adverse effects on the Company's financial performance, but does not trade in derivative financial instruments to achieve this, management is of the opinion that the Company's exposure to financial risks is limited.

4.2 Capital management

The Company's objectives are to safeguard its ability to continue as a going concern in order to provide returns for the shareholder and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, or issue new shares.

4.3 Fair value estimation

The Company has no financial assets and liabilities measured at fair value. The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables are assumed to approximate their fair values due to the short-term maturities of these assets and liabilities.

4.4 Equity

Called up share capital

The authorised share capital of the Company of DKK 20,000,000 is divided into 20,000,000 ordinary shares, fully paid-up, with a par value of DKK 1 each.

4.5 Related party transactions

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control the Company are considered a related party. In addition, statutory and supervisory directors and close relatives are regarded as related parties.

i. Relationships with related parties:

Related Party	Relationship
Netflix Inc.	Ultimate parent company
Netflix Services Holdings B.V.	Immediate parent company

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ii. Transactions with related parties during the year:

Name	Category	2021
Netflix Inc.	Content services revenue	1,692
Netflix International B.V.	Streaming services fee	2,067
		3,759

iii. Outstanding balances due to (from) a related party:

Name	Related Party	2021
Amount due to related parties	Netflix Inc.	(90)
Amount due from related parties	Netflix Inc.	1,692
	Netflix International B.V.	2,067
		3,759
		3,669

4.6 Significant accounting policies and new accounting standards

The principal accounting policies applied in the preparation of these financial statements are generally disclosed within the related note. New policies and other accounting policies that are considered significant are disclosed below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Finance income and expenses

Finance income and expenses are recognised using the effective interest method. When a loan or receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on an impaired loan or receivable is recognised using the original effective interest rate.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Company does not have any legally enforceable right to offset the recognised amounts in the balance sheet.

Impairment of financial assets

The Company assesses impairment of financial assets on a forward looking basis through measuring the expected credit losses (ECL) associated with instruments recognised at amortised cost. The Company measures loss allowances at an amount equal to lifetime ECLs, except for cash balances and debt securities which are measured at 12 month ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment, that includes forward-looking information.

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Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). No impairment occurred during 2020 or 2021. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period, other than goodwill of which the company has none at this time.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

Value-added tax (VAT)

Revenues, expenses and assets are recognised net of the associated VAT, unless the tax incurred is not recoverable from the relevant tax authority. In this case it is recognised as part of the cost of acquisition of the asset or part of the expense. Receivables and payables are stated inclusive of the amount of VAT receivable or payable. The net amount of VAT recoverable from, or payable to, the tax authority is included within other receivables or payables in the balance sheet. Cash flows are presented on a gross basis. The VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

4.7 Events after the reporting period

No events after the reporting period have occurred that are deemed material to the users of these financial statements.