Dentsu Danmark A/S

Overgaden Neden Vandet 7, 1414 København K

CVR no. 58 22 78 11

Annual report 2020

Approved at the Company's annual general meeting on 30 June 2021

Chair of the meeting:

Casper Loch Henriksen
Casper Loch Henriksen (Jun 30, 2021 09:15 GMT+2)

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Caper Haagen Loch Henriksen

Contents

Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the annual report of Dentsu Danmark A/S for the financial year 1 January – 31 December 2020.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2020 and of the results of their operations and consolidated cash flows for the financial year 1 January – 31 December 2020.

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

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

Copenhagen, 30 June 2021
Executive Board:

Ulrik Petersen
Ulrik Petersen (Jun 30, 2021 14:29 GMT+2)

Ulrik Petersen

Board of Directors:

Casper Loch Henriksen Casper Loch Henriksen (Jun 30, 2021 09:15 GMT+2)	Ulrik Petersen Ulrik Petersen (Jun 30, 2021 14:29 GMT+2)	Cecilia Jonasson Cecilia Jonasson (Jun 30, 2021 14:55 GMT+2)
Casper Haagen Loch Henriksen Chair	Ulrik Petersen	Cecilia Jonassen Bonde
Lars Bo Jeppesen (Jun 30, 2021 13:53 GMT+2)	Kristian Koch Jensen Kristian Koch Jensen (Jun 30, 2021 13:08 GMT+2)	
Lars Bo Jeppesen	Kristian Koch Jensen	

Independent auditor's report

To the shareholder of Dentsu Danmark A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Dentsu Danmark A/S for the financial year 1 January – 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2020 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent 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 Group or the Parent 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 additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Independent auditor's report

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent 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 Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Independent auditor's report

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, 30 June 2021
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Kenn W. Hansen (Jun 30, 2021 09:31 GMT+2)

Kenn W. Hansen
State Authorized Public Accountant
mne30154

Management's review

Financial highlights for the Group

DKK000	2020	2019	2018*	2017*	2016*
Key figures					
Revenue	1,758,467	1,890,902	1,627,604	1,598,977	1,603,725
Operating profit/loss	44,396	33,711	30,621	10,031	20,306
Net financials	-4,376	426	295	-556	-993
Profit/loss for the year	20,221	16,751	42,210	15,046	14,281
Total assets	984,498	1,010,648	691,632	544,780	544,849
Investments in property, plant and equipment	2,868	4,574	3,197	1,610	1,672
Equity	253,355	261,282	259,069	85,959	47,518
Cash flows from operating activities	42,153	62,838	n/a	n/a	n/a
Cash flows from investing activities	-22,117	-78,060	n/a	n/a	n/a
Cash flows from financing activities	-36,196	112,731	n/a	n/a	n/a
Total cash flows	-16,160	97,509	n/a	n/a	n/a
Financial ratios					
Operating margin	2.5 %	1.8 %	1.9 %	0.6 %	1.3 %
Gross margin	22.0 %	20.3 %	9.9 %	8.8 %	9.5 %
Equity ratio	24.4 %	24.7 %	37.5 %	15.8 %	8.7 %
Return on equity	7.5 %	2.5 %	24.5 %	22.5 %	35.4 %
Average number of full-time employees	533	529	247	243	227

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios. For terms and definitions, please see the accounting policies.

* The financial highlights for 2018, 2017 and 2016 does only include the parent company.

Management's review

Business Review

The Group's primary activities are media and communication activities, with special competences within media, data, marketing technologies, research, digital, sponsoring and experience marketing.

The objective of the Group is to assist its customers in achieving business growth through effective and innovative use of media and other marketing activities.

The Group is working with a number of international and Danish entities.

Financial review

The income statement for 2020 for the parent company shows a profit of DKK 7,571 thousand against a profit of DKK 34,830 thousand last year. The 2019 result included income from investments of DKK 23,867 thousand which was zero in 2020. The balance sheet at 31 December 2020 shows equity of DKK 272,920 thousand.

For the group 2020 generated a profit of DKK 20,221 thousand versus DKK 16,751 thousand in 2019. The equity decreased from DKK 261,282 thousand at 31 December 2019 to DKK 253,355 at 31 December 2020, which is mainly driven by developments in the activities in subsidiaries.

Management considers the Parent Company’s and the Group's financial performance in the year satisfactory, especially considering the impact of COVID-19.

Knowledge resources

The Group makes a great effort to motivate and satisfy its staff, believing that committed and responsible staff who wants to make a difference is perceived positively by the customers, which has a positive influence on the financial results. The Group emphasises value-based management, the key elements of which include open, honest and direct communication, a sense of responsibility, cost awareness and the will to win.

Impact on the external environment

In carrying on trade, the Group considers and seeks to reduce the environmental impact of its operations, and it is very concerned with making its business relates to waste disposal, electricity consumption, paper etc. The Company's direct and indirect efforts to protect the environment. The main environmental impact of environmental impact is limited. Efforts are made to sell obsolete IT equipment and empty toner cartridges to authorised waste processors or sell such equipment for reuse.

Statutory CSR report

The company’s business model is to sell consulting and expertise to our clients, which makes our employees essential for our success. Therefore our employees are also a key asset within our CSR efforts.

Working environment
Dentsu Danmark A/S consider our employees our most important asset. Therefore, it is essential for the company not only to ensure a safe and healthy working environment, but also to make sure that our employees are continuously developed in such a manner that their competences stays both up-to-date and relevant. Besides measuring employee satisfaction, the company also measures employee well-being on an annual basis and follows up with relevant initiatives in order to ensure as high a well-being as possible. In 2020 the focus has very much been on ensuring that people have been feeling safe, able to work from home as part of lockdown and balance their other life priorities during the unprecedented times created by the COVID pandemic.

The most relevant risks related to workers conditions are regarding the working environment and lack of competence development among staff.

Management's review

In 2020 the surveys regarding employee satisfaction and wellbeing in Dentsu in Denmark showed that the company outperformed the peer group.

In 2021 we plan to continue these initiatives and will repeat the same surveys as in 2020.

Environment & Climate
The company recognizes that the usage of electricity has a potential negative impact on the external environment in which it operates.

Therefore, the company has launched a number of initiatives over the last couple of years in order to reduce the electricity usage, including shifting to LED lighting wherever possible and the possibility to easier turn off all lights at a given floor in the buildings. The result of these initiatives is a reduction of electricity consumption of 13,2 % in 2020 vs 2019.

Globally the company has committed to becoming a Net Zero company by 2030, which the Danish part of the group of course supports. This means that Dentsu is part of a growing number of companies with high ambitions on behalf of the climate. The purpose is to avoid an increase in temperature of more than 1,5°C to limit the negative effect of climate change. As part of our focus on climate change, we have since 2019 only used renewable energy in all our Danish offices.

Human rights & Anti-corruption
As a company Dentsu respects and supports human rights as defined in international treaties. This is made clear in of Code of Conduct. In Denmark the local management sees the risk of any breaches of human rights as very low, therefore no additional policies are developed beyond what is stated in our Code of Conduct.

Dentsu does not tolerate corruption. Besides the fact that this is made very clear in our Code of Conduct, all employees must complete a mandatory training course in anti-corruption on an annual basis. The company also has an anonymous whistle-blower hotline, Speak-Up, where employees can reach out to if they see any behavior that does not match our Code of Conduct. The most significant risk for corruption is if our employees doesn’t act according to our Code of Conduct.

In 2020, more than 90% of all staff have actively confirmed the Code of Conduct and more than 90% have also completed the anti-corruption training. That these figures are below 100% is caused by an on-going churn of staff, and as new employee you have a period within which you need to complete the trainings. In 2020 there has been no recorded nor identified breaches of the Code of Conduct and there has been no reports regarding corruption via the whistleblower solution.

In 2021 we plan to continue the listed initiatives and it will remain mandatory for all employees to confirm our Code of Conduct as well as complete anti-corruption training.

Other social initiatives
<u>The Code</u>
Besides the already mentioned initiatives, the company has a clear wish to contribute positively to the wider society. An area which is very important to us is young people optimism to be part of the digital economy. In the future many jobs will require knowledge about the digital development, data and technology. Still, we see that many young people don’t feel they have the right skills within these areas. Therefore we have launched The Code. Through The Code we offer and create the opportunity for children and young adults to acquire additional skills within digital marketing, data, technology and communication. We offer our knowledge and expertise within these areas pro-bono to elementary schools, high schools and higher education institutions who has an interest in adding a more practical perspective in the education. Besides these sessions, we host talks, seminars, and case-competitions for students to ensure that they feel equipped and optimistic about participating in the digital economy.

Management's review

Each year we have a number of initiatives focusing on giving back to society. Each year our kitchen bakes cakes as part of the “Bake-for-a-cause” initiative, which is created by Børns Vilkår. At Christmas we each year donate an amount we spend on Christmas presents which we wrap and donate to Mødrehjælpen. This initiative is also supported by a number of our clients.

Account of the gender composition of Management

The Board of Directors has set a target of 40%, corresponding to 2 out of 5 board members, for the underrepresented gender. The Board of Directors has set the target to be achieved by the end of 2021.

At present, the Company has 1 elected female member of the Board of Directors out of a total of 5 members. In 2020 a male candidate was elected to the board due to his specific set of skills. Therefore the target is not yet reached.

Management has adopted a policy to ensure a balance between genders on the other levels of management, including the Company's managers and team leaders. The policy sets out a framework for the individual manager's career development and opportunities for mentoring and provides simultaneous internal targets for the proportion of female managers. The policy also provides guidelines for the recruitment and retention of women leaders in the business.

Specifically, the Company has initiated several actions to ensure a balance of female and male managers:

- Support for the preparation of individual career plans
- Mentoring
- Personnel policy that promotes career opportunities for both genders
- Recruitment procedures, which help to ensure same recruitment opportunities for both genders
- Mandatory training for all employees in diversity and inclusion

The proportion of female managers at other management levels is at the same level as last year, totaling 51 %. The top management forum in Denmark, Dentsu Exec Board, consists of 4 female and 5 male leaders. The management finds this balance satisfactory.

Outlook

The Parent Company expect that the media market in 2021 will recover some of the losses compared to 2020, which was effected by COVID-19. How much of the losses that will be covered compared to 2019 will largely depend on when restrictions related to COVID-19 will be repealed. This is an unknown parameter in the expectation.

Overall the outlook for the Group is positive for 2021. We expect growth in both revenue and profit compared to 2020.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Income statement

Note	DKK'000	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
3	Revenue	1,758,467	1,890,908	1,426,208	1,560,249
	Cost of sales	-1,310,168	-1,430,506	-1,257,417	-1,376,990
	Other operating income	4,900	0	3,491	0
	Other external expenses	-66,867	-76,025	-32,747	-35,476
	Gross profit	386,332	384,377	139,535	147,783
4	Staff costs	-292,740	-300,718	-122,720	-132,110
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-49,196	-49,948	-1,687	-2,440
	Profit before net financials	44,396	33,711	15,128	13,233
	Income from investments in group entities	0	0	0	23,867
5	Financial income	2,056	2,600	1,841	2,504
6	Financial expenses	-6,432	-2,174	-5,733	-1,787
	Profit before tax	40,020	34,137	11,236	37,817
7	Tax for the year	-19,799	-17,386	-3,665	-2,987
	Profit/loss for the year	20,221	16,751	7,571	34,830

	Group 2020	Group 2019
Breakdown of the consolidated profit/loss:		
Shareholders in Dentsu Danmark A/S	18,493	6,387
Non-controlling interests	1,728	10,364
	20,221	16,751

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

		Group		Parent Company	
Note	DKK'000	2020	2019	2020	2019
	ASSETS				
	Fixed assets				
8	Intangible assets				
	Acquired intangible assets	112	257	7	81
	Goodwill	218,955	291,526	0	0
		219,067	291,783	7	81
9	Property, plant and equipment				
	Other fixtures and fittings, tools and equipment	6,111	7,328	2,340	2,810
	Leasehold improvements	2,115	2,541	293	295
		8,226	9,869	2,633	3,105
10	Investments				
	Equity investments in subsidiaries	0	0	376,305	404,176
	Other receivables	5,368	5,151	3,532	3,470
		5,368	5,151	379,837	407,646
	Total fixed assets	232,661	306,803	382,477	410,832
	Current assets				
	Receivables				
	Trade receivables	337,843	322,530	257,694	255,058
	Work in progress for third parties	15,649	15,455	0	4,437
	Receivables from group entities	61,179	16,819	4,150	9,877
11	Deferred tax assets	881	902	630	748
	Income tax receivables	21,386	18,269	19,853	18,212
	Other receivables	1,063	995	461	95
12	Prepayments	2,902	1,781	1,285	849
		440,903	376,751	284,073	289,276
13	Cash	310,934	327,094	283,514	291,274
	Total current assets	751,837	703,845	567,587	580,550
	TOTAL ASSETS	984,498	1,010,648	950,064	991,382

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

		Group		Parent Company	
Note	DKK'000	2020	2019	2020	2019
	EQUITY AND LIABILITIES				
	Equity				
14	Share capital	500	500	500	500
	Retained earnings	214,740	249,395	247,420	293,399
	Proposed dividend	25,000	0	25,000	0
	Dentsu Danmark A/S' shareholder's share of equity	240,240	249,895	272,920	293,899
	Non-controlling interests	13,115	11,387	0	0
	Total equity	253,355	261,282	272,920	293,899
	Provision				
15	Other provisions	155,378	168,734	155,378	168,734
	Total non-current liabilities	155,378	168,734	155,378	168,734
	Non-current liabilities other than provision				
16	Other payables	25,718	9,173	13,429	5,125
		25,718	9,173	13,429	5,125
	Current liabilities other than provisions				
	Bank debt	80,235	116,431	80,235	116,431
	Prepayments received from customers	83,443	70,909	52,047	47,369
	Work in progress for third parties	14,858	992	14,350	0
	Trade payables	180,948	195,750	170,311	185,066
	Payables to group entities	86,344	100,959	138,202	129,273
	Income tax payables	14,084	12,084	0	0
	Other payables	90,135	74,334	53,192	45,485
		550,047	571,459	508,337	523,624
	Total liabilities other than provisions	575,765	580,632	521,766	528,749
	TOTAL EQUITY AND LIABILITIES	984,498	1,010,648	950,064	991,382

1 Accounting policies
2 Special items
17 Contractual obligations and contingencies, etc.
18 Related parties
19 Fee to the auditors appointed by the Company in general meeting
20 Appropriation of profit

Statement of changes in equity

		Group			
Note	DKK'000	Share capital	Retained earnings	Proposed dividend	To
	Equity at 1 January 2020	500	249,395	0	249,8
	Foreign exchange adjustments, foreign subsidiaries	0	402	0	4
	Transferred; see distribution of profit/loss	0	-6,507	25,000	18,4
	Other value adjustment of equity	0	-28,550	0	-28,5
	Equity at 31 December 2020	500	214,740	25,000	240,2

		Pa	
Note	DKK'000	Share capital	Retai earni
	Equity at 1 January 2020	500	293,3
20	Transferred; see distribution of profit/loss	0	-17,4
	Other value adjustments of equity	0	-28,5
	Equity at 31 December 2020	500	247,4

Consolidated financial statements and parent company financial statements 1 January – 31 December

Cash flow statement

Note	DKK'000	Group 2020	Group 2019
	Profit/loss before net financials	44,396	33,711
	Depreciation and amortisation	49,196	46,976
	Other adjustments of non-cash operating items	5,776	-10,736
	Cash generated from operations before changes in working capital	99,368	69,951
21	Changes in working capital	-35,061	9,847
	Cash generated from operations	64,307	79,798
	Net financials	-4,376	426
	Corporation tax paid	-17,778	-17,386
	Cash flows from operating activities	42,153	62,838
	Payments related to put/call-options regarding acquisition of intangibles assets/equity investments in subsidiaries	-19,249	-73,486
	Additions of property, plant and equipment	-2,868	-4,574
	Cash flows from investing activities	-22,117	-78,060
	Changes in bank debt	-36,196	112,731
	Cash flows from financing activities	-36,196	112,731
	Cash flows for the year	-16,160	97,509
	Cash and cash equivalents, beginning of year	327,094	229,585
	Cash and cash equivalents, year end	310,934	327,094

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Dentsu Danmark A/S for 2020 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

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

Consolidated financial statements

Control

The consolidated financial statements comprise the Parent Company Dentsu Danmark A/S and subsidiaries controlled by Dentsu Danmark A/S.

Control means the power to exercise decisive influence over a subsidiary's financial and operating decisions. Moreover, the possibility of yielding a return from the investment is required.

In assessing whether the Parent Company controls an entity, de facto control is also taken into consideration.

The existence of potential voting rights that may currently be exercised or converted into additional voting rights is considered when assessing whether an entity may become empowered to exercise decisive influence over another entity's financial and operating decisions.

Preparation of consolidated financial statements

The consolidated financial statements are prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements, which are prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends as well as realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains unless they do not reflect impairment.

The subsidiaries' financial statement items are included 100% in the consolidated financial statements. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries that are not wholly-owned are included in the Group's profit/loss and equity, respectively, but are presented separately.

Acquisitions and disposals of non-controlling interests that are still controlled are recognised directly in equity as a transaction between shareholders.

Non-controlling interests

On initial recognition, non-controlling interests are measured at the fair value of the non-controlling interests' equity interest.

Goodwill relating to the non-controlling interests' share of the acquiree is recognised.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

Foreign subsidiaries and associates are considered separate entities. The income statements are translated at the average exchange rates for the year, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign entities at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of balances with foreign subsidiaries that are considered part of the total net investment in the subsidiary are recognised directly in the translation reserve under equity. Correspondingly, foreign exchange gains and losses on loans and derivative financial instruments hedging net investments in foreign subsidiaries are recognised directly in the translation reserve under equity.

On translation of foreign subsidiaries that are integral entities, monetary items are recognised at the exchange rates at the balance sheet date. Non-monetary items are recognised at the exchange rates at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Income statement items are translated at the exchange rates at the transaction date, although items derived from non-monetary items are translated at the historical exchange rates applying to the non-monetary items.

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Turnover from media and sale of services is recognised in the income statement at the invoice date which corresponds to the time when delivery is made and risk has passed to the buyer.

Contract work in progress is included in turnover based on the stage of completion so that turnover corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Turnover is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in turnover.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities.

Cost of sales

Cost of sales includes the cost of services used in generating the year's turnover.

Other external expenses

Other external expenses include the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation and impairment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Acquired intangible assets	3-5 years
Goodwill	10 years

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Profit from investments in subsidiaries

The item includes dividend received from subsidiaries in so far as the dividend does not exceed the accumulated earnings in the subsidiary in the period of ownership.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

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1 Accounting policies (continued)

Tax for the year

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Parent and other Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

Acquired intangible assets

Acquired intangible assets are measured at cost less accumulated amortisation and impairment losses.

Adjustments of cost of acquired intangible assets are recognised as additions to fixed assets in accordance with the Danish legislation applicable at the time of acquisition of the intangible asset.

Goodwill

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is 10 years. The amortisation period is fixed on the basis of the expected repayment horizon and is longest for strategically acquired entities with strong market positions and long-term earnings profiles.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and expenses directly related to the acquisition until the time at which the asset is ready for use.

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

Investment in subsidiaries

Investments in subsidiaries are measured at cost. Dividends received which exceed the accumulated earnings in the subsidiary in the period of ownership are treated as a cost reduction.

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Notes

1 Accounting policies (continued)

Impairment of fixed assets

Every year, intangible assets and property, plant and equipment as well as investments in subsidiaries are reviewed for impairment. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount. Where an impairment loss is recognised on a group of assets, a loss must first be allocated to goodwill and then to the other assets on a pro rata basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists.

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Work in progress for third parties

Service supplies and service contract work in progress for third parties are measured at the market value of the work performed less progress billings. The market value is calculated based on the stage of completion at the balance sheet date and the total expected income from the relevant contract. The stage of completion is calculated based on the expenses incurred relative to the expected total expenses relating to the relevant contract.

Where the outcome of contract work in progress cannot be estimated reliably, the market value is measured at the expenses incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under "Provisions" and is expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Equity

Proposed dividend

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Corporation tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account. Receivable or payable joint taxation contribution are recognised as income tax receivables or income tax payables. As management company for all the entities in the joint taxation arrangement, the parent company is liable for payment of the subsidiaries' income taxes vis à vis the tax authorities as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable or receivable are recognised in the balance sheet as income tax receivables or payables.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax is measured according to 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. Deferred tax assets are recognised at the expected value of their utilisation; 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Provisions

Other provisions comprise provisions regarding earn-out payments for purchase the of shares in the subsidiary Isobar Nordic A/S. Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at net realisable value or fair value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value.

Liabilities other than provisions

Other payables are measured at net realisable value.

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital, interest received and paid as well as corporation tax paid.

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Notes

1 Accounting policies (continued)

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities, activities and intangible assets, property, plant and equipment and investments. Dividends received regarding securities are also considered investing activities.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a remaining term of three months or less that are subject to only minor risks of changes in value.

Segment information

Information is disclosed by activity and geographical market. Segment information is based on the Company's accounting policies, risks and internal financial management.

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating margin $$\frac{\text{Operating profit/loss (EBIT) x 100}}{\text{Revenue}}$$

Gross margin $$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$$

Equity ratio $$\frac{\text{Equity ex. non-controlling interests at year end x 100}}{\text{Total equity and liabilities at year end}}$$

Return on equity $$\frac{\text{Profit/loss for the year after tax ex. non-controlling interests x 100}}{\text{Average equity ex non-controlling interests}}$$

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2 Special items

Special items comprise significant income and expenses of a special nature relative to the Group's revenue-generating operating activities. Special items also comprise significant one-off items that, in Management's opinion, do not form part of the Group's operating activities.

Special items for the year are specified below, including the line items in which they are recognised in the income statement.

	Group		Parent Company	
DKK'000	2020	2019	2020	2019
Income				
COVID-19 salary compensation	3,245	0	3,245	0
	3,245	0	3,245	0
Special items are recognised in the below line items				
Other operating income	3,245	0	3,245	0
Net profit/loss from special items	3,245	0	3,245	0

3 Segment information

Breakdown of turnover by geographical segment:				
Nordic contries	1,663,044	1,778,750	1,334,460	1,453,101
Europe	93,544	112,088	89,869	107,078
Outside of Europe	1,879	70	1,879	70
	1,758,467	1,890,908	1,426,208	1,560,249

4 Staff costs

Wages and salaries	263,575	253,533	111,058	111,537
Pensions	11,387	24,424	2,755	7,624
Other social security costs	9,312	10,651	1,448	1,749
Other staff costs	8,466	12,110	7,459	11,200
	292,740	300,718	122,720	132,110
Average number of full-time employees	533	529	241	249

Staff costs include remuneration of the Parent Company's Executive Board totalling DKK 2,106 thousand.

Part of the remuneration to the Company's Executive Board is paid by the nordic group entities.

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DKK'000	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
5 Financial income				
Interest income from group entities	0	1	0	1
Other interest income	2,056	2,599	1,841	2,503
	2,056	2,600	1,841	2,504
6 Financial expenses				
Interest expenses from group entities	4	10	252	147
Other interest expenses	6,428	2,164	5,481	1,640
	6,432	2,174	5,733	1,787
7 Tax for the year				
Estimated tax charge for the year	19,782	17,606	3,547	3,158
Deferred tax adjustment for the year	17	145	118	194
Tax adjustments, prior years	0	-365	0	-365
	19,799	17,386	3,665	2,987

8 Intangible assets

	Group		
DKK'000	Acquired intangible assets	Goodwill	Total
Cost at 1 January 2020	5,013	448,711	453,724
Disposals/Adjustments in the year	-57	-27,871	-27,928
Cost at 31 December 2020	4,956	420,840	425,796
Amortisation and impairment losses at 1 January 2020	4,756	157,185	161,941
Impairment losses in the year	145	44,700	44,845
Amortisation/depreciation and impairment of disposals in the year	-57	0	-57
Amortisation and impairment losses at 31 December 2020	4,844	201,885	206,729
Carrying amount at 31 December 2020	112	218,955	219,067

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8 Intangible assets (continued)

DKK'000	Parent Company Acquired intangible assets
Cost at 1 January 2020	4,800
Disposals in the year	-57
Cost at 31 December 2020	4,743
Amortisation and impairment losses at 1 January 2020	4,719
Impairment losses in the year	74
Amortisation/depreciation and impairment of disposals in the year	-57
Amortisation and impairment losses at 31 December 2020	4,736
Carrying amount at 31 December 2020	7

9 Property, plant and equipment

	Group		
DKK'000	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2020	34,720	9,517	44,237
Foreign currency translation adjustment	-53	0	-53
Additions	2,429	439	2,868
Disposals	-10,630	-276	-10,906
Cost at 31 December 2020	26,466	9,680	36,146
Depreciation and impairment losses at 1 January 2020	27,392	6,976	34,368
Foreign currency translation adjustment	-61	0	-61
Depreciation	3,485	865	4,350
Disposals	-10,461	-276	-10,737
Depreciation and impairment losses at 31 December 2020	20,355	7,565	27,920
Carrying amount at 31 December 2020	6,111	2,115	8,226

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9 Property, plant and equipment (continued)

DKK'000	Parent Company Other fixtures and fittings, tools and equipment	Leasehold improve-ments	Total
Cost at 1 January 2020	21,925	2,969	24,894
Additions	1,172	138	1,310
Disposals	-9,129	-276	-9,405
Cost at 31 December 2020	13,968	2,831	16,799
Depreciation and impairment losses at 1 January 2020	19,115	2,674	21,789
Depreciation	1,473	140	1,613
Disposals	-8,960	-276	-9,236
Depreciation and impairment losses at 31 December 2020	11,628	2,538	14,166
Carrying amount at 31 December 2020	2,340	293	2,633

10 Investments

DKK'000	Group Equity investments in subsidiaries	Other receivables	Total
Cost at 1 January 2020	0	5,151	5,151
Additions	0	217	217
Cost at 31 December 2020	0	5,368	5,368
Carrying amount at 31 December 2020	0	5,368	5,368

DKK'000	Parent Company Equity investments in subsidiaries	Other receivables	Total
Cost at 1 January 2020	404,176	3,470	407,646
Additions	0	62	62
Disposals/Adjustments	-27,871	0	-27,871
Cost at 31 December 2020	376,305	3,532	379,837
Carrying amount at 31 December 2020	376,305	3,532	379,837

Name and registered office	Voting rights and ownership	Profit/loss DKK'000	Equity DKK'000
Isobar Nordic A/S, København, Denmark	95%	43,175	304,400

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DKK'000	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
11 Deferred tax				
Deferred tax at 1 January	902	1,046	748	942
Foreign currency translation adjustment	-4	1		
Deferred tax adjustment for the year	-17	-145	-118	-194
Deferred tax at 31 December	881	902	630	748
Deferred tax relates to:				
Intangible assets	240	296	111	207
Property, plant and equipment	641	584	519	541
Current assets	0	22	0	0
	881	902	630	748
Deferred tax is recognised in the balance sheet as follows:				
Deferred tax assets	881	902	630	748
Deferred tax liabilities	0	0	0	0
	881	902	630	748

12 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including insurance policies, rent and other rent related expenses.

13 Cash

Consolidated cash funds include restricted cash regarding tax account in the Norwegian subsidiary owned by Isobar Nordics A/S and totalled DKK 390 thousand at 31 December 2020 (31 December 2019: DKK 494 thousand). Cash will be released upon payment to the Norwegian authorities in 2021.

DKK'000	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
14 Share capital				
500 A shares of DKK 1,000.00 nominal value each	500	500	500	500
	500	500	500	500

The share capital has remained DKK 500 thousand over the past 5 years.

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15 Other provisions

Other provisions comprise provisions regarding earn-out payments for purchase the of shares in the subsidiary Isobar Nordic A/S. The expected non-current part of the provision is DKK 102,155 thousand.

	Group		Parent Company	
DKK'000	2020	2019	2020	2019

16 Non-current liabilities other than provisions

The liabilities can be specified as follows:

Other payables				
0-1 years	0	0	0	0
1-5 years	25,718	9,173	13,429	5,125
> 5 years	0	0	0	0
	25,718	9,173	13,429	5,125

17 Contractual obligations and contingencies etc.

Lease liabilities can be specified as follows:

Lease liabilities:				
0-1 years	9,535	9,320	7,425	7,473
1-5 years	3,222	2,066	3,055	2,066
> 5 years	0	0	0	0
	12,757	11,386	10,480	9,539

As administrative company, Dentsu Danmark A/S is jointly taxed with other Danish group entities (including Isobar Nordics A/S and Merkle Danmark A/S). As a group entity, the entities have joint and several unlimited liability for Danish corporation taxes as well as withholding taxes on interest, royalties and dividends within the joint taxation unit. The jointly taxed companies' total known net receivable in respect of corporation taxes and withholding taxes amounted to DKK 2,544 thousand at 31 December 2020. Any subsequent adjustments to the joint taxation income and withholding taxes, etc., may entail that the Company's liability will increase.

Dentsu Danmark A/S is jointly VAT-registered with the affilates Posterscope Denmark A/S, CVR no. 29 53 91 89 and Amnet A/S, CVR no. 35 84 73 67.

	Group		Parent Company	
DKK'000	2020	2019	2020	2019
Guarantee commitments	15,000	15,000	15,000	15,000
	15,000	15,000	15,000	15,000

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18 Related parties

Dentsu Danmark A/S' related parties comprise the following:

Parties exercising control

Dentsu Nordic AB, Åsögatan 108, 118 29, Stockholm, Sweden
Dentsu Nordic AB holds the majority of the share capital in the Company.

Related party transactions

	Parent Company	
Acquired services from group entities	301,926	444,020
Sale of services to group entities	49,557	72,938
Interest income from group entities	0	1
Interest expenses to group entities	252	147
Receivables from group entities	4,150	9,877
Payables to group entities	138,202	129,273

Apart from distribution of dividend, no other transactions were carried out with shareholders during the year.

	Group		Parent Company	
DKK'000	2020	2019	2020	2019
19 Fees paid to auditor appointed at the annual general meeting				
Total fees to KPMG	584	575	280	245
Fee for statutory audit	541	540	248	213
Assurance engagements	32	32	32	32
Non-audit services	11	3	0	0
	584	575	280	245

	Parent Company	
DKK'000	2020	2019
20 Distribution of profit/loss		
Proposed distribution of profit/loss		
Proposed dividend recognised under equity	25,000	0
Retained earnings/accumulated loss	-17,429	34,830
	7,571	34,830

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DKK'000	Group 2020	Group 2019
21 Changes in working capital		
Changes in receivables	-64,390	37,807
Changes in trade and other payables	29,329	-27,960
	-35,061	9,847