

Dentsu Danmark A/S

Overgaden Neden Vandet 7, 1414 København K

CVR no. 58 22 78 11

Annual report 2021

Approved at the Company's annual general meeting on 21 June 2022

Chair of the meeting:

Casper Loch Henriksen

Casper Loch Henriksen (Jun 21, 2022 14:15 GMT+2)

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Casper Haaghen Loch Henriksen

Contents

Statement by Management	2
Independent auditor's report	3
Management's review	6
Consolidated financial statements and parent company financial statements 1 January - 31 December	11
Income statement	11
Balance sheet	12
Statement of changes in equity	14
Cash flow statement	15
Notes	16

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 2021.

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 2021 and of the results of their operations and consolidated cash flows for the financial year 1 January – 31 December 2021.

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, 21 June 2022
Executive Board:


Ulrik Petersen (Jun 21, 2022 18:31 GMT+2)

Ulrik Petersen

Board of Directors:


Casper Loch Henriksen (Jun 21, 2022 14:15 GMT+2)


Casper Haagen Loch
Henriksen
Chair


Ulrik Petersen (Jun 21, 2022 18:31 GMT+2)

Ulrik Petersen


Cecilia Jonasson (Jun 21, 2022 13:37 GMT+2)

Cecilia Jonasson Bonde


Kristian Koch Jensen (Jun 21, 2022 11:04 GMT+2)

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 2021, 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 2021 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 2021 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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, 21 June 2022
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98



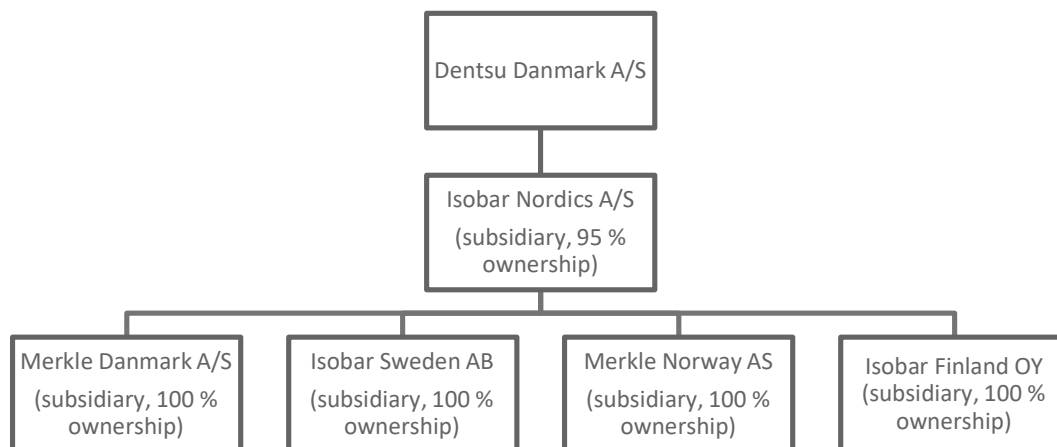
Kenn W. Hansen
State Authorized Public Accountant
mne30154

Management's review

Financial highlights for the Group

DKK000	2021	2020	2019	2018*	2017*
Key figures					
Revenue	2,033,730	1,758,467	1,890,902	1,627,604	1,598,977
Operating profit/loss	81,193	44,396	33,711	30,621	10,031
Net financials	-32,588	-4,376	426	295	-556
Profit/loss for the year	21,829	20,221	16,751	42,210	15,046
Balance sheet					
Total assets	1,150,816	984,498	1,010,648	691,632	544,780
Investments in property, plant and equipment	3,027	2,868	4,574	3,197	1,610
Equity	243,857	253,355	261,282	259,069	85,959
Cash flows					
Cash flows from operating activities	163,986	42,153	62,838	n/a	n/a
Cash flows from investing activities	-57,079	-22,117	-78,060	n/a	n/a
Cash flows from financing activities	8,534	-36,196	112,731	n/a	n/a
Total cash flows	115,441	-16,160	97,509	n/a	n/a
Financial ratios					
Operating margin	4.0 %	2.5 %	1.8 %	1.9 %	0.6 %
Gross margin	25.2 %	22.0 %	20.3 %	9.9 %	8.8 %
Equity ratio	20.2 %	24.4 %	24.7 %	37.5 %	15.8 %
Return on equity	8.0 %	7.5 %	2.5 %	24.5 %	22.5 %
Employees					
Average number of full-time employees	558	533	529	247	243

* The financial highlights for 2018 and 2017 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 2021 for the parent company shows a profit of DKK 76,574 thousand against a profit of DKK 7,571 thousand last year. The 2021 result includes income from investments of DKK 95,101 thousand which was zero in 2020. As per 31 December 2021, the balance sheet shows an equity of DKK 323,243 thousand.

In 2021, the group generated a profit of DKK 21,829 thousand versus DKK 20,221 thousand in 2020. The equity decreased from DKK 253,355 thousand as per 31 December 2020 to DKK 243,857 as per 31 December 2021, which, beside the result for 2021, is caused by dividends paid.

Management considers the Parent Company's and the Group's financial performance in the year satisfactory.

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. The company expects to increase the focus on limiting our environmental and climate impact in the years to come as this is a priority to us, underpinned by our investment in projects such as The Sustainability Academy, a program for both clients and partners to increase awareness of the impact of working sustainable.

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.

Double materiality

The management has considered each of the five policy areas in scope for §99a from a double materiality point of view, in the following describing how the company has tried to limit the negative impacts its actions have on the wider society as well as ensuring that as many actions as possible have a positive societal impact. When applicable, the company has also described below how events / actions from society have impacted the company negatively.

Management's review

Continuity

While adjusting for new requirements, the company has strived to keep as much continuity as possible. We present our policies and results year by year, making it easier for the reader to follow key trends.

Working environment

Dentsu Danmark A/S considers 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 stay 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 2021 the focus has very much been on continuing to ensure 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 continued COVID pandemic as well as providing a safe plan for return to office. The pandemic has put additional pressure on the physical and mental well-being of our employees caused by health risks and lockdowns. The Company has put great focus on protecting our employees during this time by prescribing guidelines and providing protective equipment. This has, among other things, ensured the health of employees during the pandemic, which our well-being surveys have confirmed.

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

In 2021 the surveys regarding employee satisfaction and wellbeing in Dentsu in Denmark showed that the company outperformed the peer group.

In 2022 we plan to continue these initiatives and will repeat the same surveys as in 2021.

While ensuring a safe and healthy working environment is pivotal for our business, it is not possible to measure the exact impact of this on our financial results, neither in regard to revenue nor costs.

Environment & Climate

The company recognizes its obligation as a global organization and are working to implement ambitious initiatives that cover the entire value chain.

Globally the company has committed to reduce absolute emissions by at least 46.2% by 2030, and at a long-term scale the company will reduce absolute emissions by at least 90% by 2040. The remaining emissions (10%) will be neutralized through credible and verifiable greenhouse gas emissions removal projects. This is in line with the Paris Agreement, that calls for all global emissions to be halved by 2030 and for Net Zero to be achieved by 2050. The Danish part of the group of course supports this initiative. 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 and will continue to do so. Throughout 2021 the company has launched multiple initiatives to support this ambition. For an instance Dentsu employees are urged to be more thoughtful in their consumption of office supplies, there is focus on food waste across all offices, use of electricity, and from an IT-perspective the company always aims to pick suppliers that offer more sustainable solutions and products. The continuous focus on limiting the energy consumption in 2021 led to a reduction in emissions and more efficient use of resources.

While the actions described above have increased our costs, this is not by an amount that is material to the overall financial results achieved by the company in 2021. The costs are both arising from higher prices on renewable energy as well as the man-hours invested in the other described actions.

Human rights & Anti-corruption

As a company Dentsu respects and supports human rights as defined in international treaties. This is made clear in our 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.

Management's review

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 behaviour 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 2021, 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 2021 there has been no recorded nor identified breaches of the Code of Conduct and there have been no reports regarding corruption via the whistleblower solution.

In 2022 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.

While the actions described above have increased our costs, this is not by an amount that is material to the overall financial results achieved by the company in 2021. The costs are arising mainly from the man-hours invested in the described actions.

Other social initiatives

The Code

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. Alone in 2021 Dentsu Denmark reached more than 1000 young students with varies sessions, seminars etc. across all age groups.

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.

Data ethics

For Dentsu it's a priority to work with data in professional and ethical manner. We each year obtain an ISAE 3000 declaration to demonstrate our compliance with GDPR rules in the way we work with our clients' data. Further, we have mandatory trainings which more than 90% of all employees have completed with both data security and ethics & compliance. Finally, we have a number of global policies outlining how we work with data across the business, including, but not limited to, an Acceptable Use Policy, multiple security policies and an information classification and handling policy.

Internally the main data area for the company is employee data. We handle all information digital to avoid physical data trails and we store the vast majority in our HR system Workday, a leading global HR technology vendor, to ensure compliance with data regulations as well as internal policies.

For clients the company acts as data processor, typically handling non-sensitive PII such as browsing data and / or contact information. This is regulated between the company and each individual client in a data processing agreement, the framework and controls for which is checked as part of the ISAE 3000 declaration we obtain from pwc. As part of acting as data processor for our clients, we use a number of sub-processors, typically big tech companies such as Meta, Google and Adform. These relationships are also part of the scope which is audited in the ISAE 3000 declaration.

Management's review

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 2022.

At present, the Company has 1 elected female member of the Board of Directors out of a total of 4 current members. In 2021 there has not been any changes to the board, however in early 2022 there is an open position on the board following a resignation of male member. The Company is now searching for a qualified candidate.

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 around the same level as last year, totalling 46 %. The top management forum in Denmark, Dentsu Exec Board, consists of 4 female and 5 male leaders. The management finds this balance satisfactory, while being very aware that the numbers should not go below these levels going forward.

Outlook

The Parent Company expects that the media market in 2022 will continue to grow slightly compared to 2021, in the range of 0 - 5%. However, the uncertain situation created by both the current geo-political environment, the impact of the war in Ukraine and the rising inflation is a potential risk to continued growth. Even considering that, the overall outlook for the Group is positive for 2022. We expect growth in turnover and gross profit in line with the expected media market grow, in the range of 0-5%.

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

Income statement

Note	DKK'000	Group		Parent Company	
		2021	2020	2021	2020
3	Revenue	2,033,730	1,758,467	1,604,121	1,426,208
	Cost of sales	-1,438,278	-1,310,168	-1,364,701	-1,257,417
	Other operating income	666	4,900	433	3,491
	Other external expenses	-83,788	-66,867	-45,400	-32,747
	Gross profit	512,330	386,332	194,463	139,535
4	Staff costs	-386,541	-292,740	-173,468	-122,720
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-43,691	-49,196	-1,430	-1,687
	Other operating expenses	-905	0	-905	0
	Profit before net financials	81,193	44,396	18,660	15,128
	Income from investments in group entities	0	0	95,101	0
5	Financial income	2,257	2,056	1,932	1,841
6	Financial expenses	-34,845	-6,432	-34,626	-5,733
	Profit before tax	48,605	40,020	81,067	11,236
7	Tax for the year	-26,776	-19,799	-4,493	-3,665
	Profit/loss for the year	21,829	20,221	76,574	7,571
	Breakdown of the consolidated profit/loss:				
	Shareholders in Dentsu Danmark A/S	18,966	18,493		
	Non-controlling interests	2,863	1,728		
		21,829	20,221		

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

Balance sheet

Note	DKK'000	Group		Parent Company	
		2021	2020	2021	2020
	ASSETS				
	Fixed assets				
8	Intangible assets				
	Acquired intangible assets	34	112	0	7
	Goodwill	179,247	218,955	0	0
		179,281	219,067	0	7
9	Property, plant and equipment				
	Other fixtures and fittings, tools and equipment	5,097	6,111	2,544	2,340
	Leasehold improvements	2,212	2,115	864	293
		7,309	8,226	3,408	2,633
10	Investments				
	Equity investments in subsidiaries	0	0	376,305	376,305
	Other receivables	5,445	5,368	3,602	3,532
		5,445	5,368	379,907	379,837
	Total fixed assets	192,035	232,661	383,315	382,477
	Current assets				
	Receivables				
	Trade receivables	460,704	337,843	353,962	257,694
	Work in progress for third parties	16,168	15,649	0	0
	Receivables from group entities	29,773	61,179	21,657	4,150
11	Deferred tax assets	1,137	881	438	630
	Income tax receivables	20,838	21,386	19,778	19,853
	Other receivables	1,567	1,063	343	461
12	Prepayments	2,219	2,902	495	1,285
		532,406	440,903	396,673	284,073
13	Cash	426,375	310,934	389,812	283,514
	Total current assets	958,781	751,837	786,485	567,587
	TOTAL ASSETS	1,150,816	984,498	1,169,800	950,064

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

Statement of changes in equity

Note	DKK'000	Group					
		Share capital	Retained earnings	Proposed dividend	Total	Non-controlling interests	Total equity
		500	214,740	25,000	240,240	13,115	253,355
		0	-68	0	-68	0	-68
		0	18,966	0	18,966	2,863	21,829
		0	-1,251	0	-1,251	0	-1,251
		0	0	-25,000	-25,000	-5,008	-30,008
		500	232,387	0	240,240	10,970	243,857

Note	DKK'000	Parent Company			
		Share capital	Retained earnings	Proposed dividend	Total
		500	247,420	25,000	272,920
		0	76,574	0	76,574
		0	-1,251	0	-1,251
		0	0	-25,000	-25,000
		500	322,743	0	323,243

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

Cash flow statement

Note	DKK'000	Group	
		2021	2020
	Profit/loss before net financials	81,193	44,396
	Depreciation and amortisation	43,691	49,196
	Other adjustments of non-cash operating items	-294	5,776
	Cash generated from operations before changes in working capital	124,590	99,368
21	Changes in working capital	57,966	-35,061
	Cash generated from operations	182,556	64,307
	Net financials paid	1,483	-4,376
	Corporation tax paid	-20,053	-17,778
	Cash flows from operating activities	163,986	42,153
	Payments related to put/call-options regarding acquisition of intangibles assets/equity investments in subsidiaries	-54,052	-19,249
	Additions of property, plant and equipment	-3,027	-2,868
	Cash flows from investing activities	-57,079	-22,117
	Changes in bank debt	38,542	-36,196
	Dividend, paid	-30,008	0
	Cash flows from financing activities	8,534	-36,196
	Cash flows for the year	115,441	-16,160
	Cash and cash equivalents, beginning of year	310,934	327,094
	Cash and cash equivalents, year end	426,375	310,934

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 2021 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.

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

Notes

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.

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

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.

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

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	$\frac{\text{Operating profit/loss (EBIT)} \times 100}{\text{Revenue}}$
Gross margin	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax ex. non-controlling interests} \times 100}{\text{Average equity ex non-controlling interests}}$

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

Notes

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.

DKK'000	Group		Parent Company	
	2021	2020	2021	2020
Income				
COVID-19 salary compensation	0	3,245	0	3,245
	0	3,245	0	3,245
Expenses				
COVID-19 salary compensation, repayment	-905	0	-905	0
	-905	0	-905	0
Special items are recognised in the below line items				
Other operating income	0	3,245	0	3,245
Other operating expenses	-905	0	-905	0
Net profit/loss from special items	-905	3,245	-905	3,245

3 Segment information

Breakdown of turnover by geographical segment:

Nordic countries	1,907,276	1,663,044	1,484,353	1,334,460
Europe	118,716	93,544	112,030	89,869
Outside of Europe	7,738	1,879	7,738	1,879
	<u>2,033,730</u>	<u>1,758,467</u>	<u>1,604,121</u>	<u>1,426,208</u>

4 Staff costs

Wages and salaries	334,162	263,575	154,411	111,058
Pensions	27,806	11,387	7,219	2,755
Other social security costs	12,779	9,312	1,825	1,448
Other staff costs	11,794	8,466	10,013	7,459
	<u>386,541</u>	<u>292,740</u>	<u>173,468</u>	<u>122,720</u>
Average number of full-time employees	<u>558</u>	<u>533</u>	<u>245</u>	<u>241</u>

In accordance with section 98b(3)(ii) of the Danish Financial Statements Act, remuneration to Management is not disclosed.

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

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

Notes

DKK'000	Group		Parent Company	
	2021	2020	2021	2020
5	Financial income			
Other interest income	2,257	2,056	1,932	1,841
	<u>2,257</u>	<u>2,056</u>	<u>1,932</u>	<u>1,841</u>
6	Financial expenses			
Interest expenses from group entities	0	4	272	252
Other interest expenses	34,826	6,428	34,354	5,481
	<u>34,826</u>	<u>6,432</u>	<u>34,626</u>	<u>5,733</u>
7	Tax for the year			
Estimated tax charge for the year	27,051	19,782	4,301	3,547
Deferred tax adjustment for the year	-253	17	192	118
Tax adjustments, prior years	-22	0	0	0
	<u>26,776</u>	<u>19,799</u>	<u>4,493</u>	<u>3,665</u>
8	Intangible assets			
		Group		
		Acquired intangible assets	Goodwill	Total
DKK'000				
Cost at 1 January 2021		4,956	420,840	425,796
Disposals/Adjustments in the year		0	-4,709	-4,709
Cost at 31 December 2021		4,956	416,131	421,087
Amortisation and impairment losses at 1 January 2021		4,844	201,885	206,729
Impairment losses in the year		78	39,708	39,786
Amortisation/depreciation and impairment of disposals in the year		0	-4,709	-4,709
Amortisation and impairment losses at 31 December 2021		4,922	236,884	241,806
Carrying amount at 31 December 2021		<u>34</u>	<u>179,247</u>	<u>179,281</u>

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

Notes

8 Intangible assets (continued)

	Parent Company
	Acquired intangible assets
DKK'000	
Cost at 1 January 2021	4,743
Cost at 31 December 2021	4,743
Amortisation and impairment losses at 1 January 2021	4,736
Amortisation/depreciation and impairment of disposals in the year	7
Amortisation and impairment losses at 31 December 2021	4,743
Carrying amount at 31 December 2021	0

9 Property, plant and equipment

	Group		
	Other fixtures and fittings, tools and equipment	Leasehold improve- ments	Total
DKK'000			
Cost at 1 January 2021	26,466	9,680	36,146
Foreign currency translation adjustment	59	0	59
Additions	2,038	989	3,027
Disposals	-1,562	0	-1,562
Cost at 31 December 2021	27,001	10,669	37,670
Depreciation and impairment losses at 1 January 2021	20,355	7,565	27,920
Foreign currency translation adjustment	63	0	63
Depreciation	3,010	892	3,902
Disposals	-1,524	0	-1,524
Depreciation and impairment losses at 31 December 2021	21,904	8,457	30,361
Carrying amount at 31 December 2021	5,097	2,212	7,309

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

Notes

9 Property, plant and equipment (continued)

DKK'000	Parent Company		
	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2021	13,968	2,831	16,799
Additions	1,495	741	2,236
Disposals	-532	0	-532
Cost at 31 December 2021	14,931	3,572	18,503
Depreciation and impairment losses at 1 January 2021	11,628	2,538	14,166
Depreciation	1,253	170	1,423
Disposals	-494	0	-494
Depreciation and impairment losses at 31 December 2021	12,387	2,708	15,095
Carrying amount at 31 December 2021	2,544	864	3,408

10 Investments

DKK'000	Group		
	Equity investments in subsidiaries	Other receivables	Total
Cost at 1 January 2021	0	5,368	5,368
Additions	0	87	87
Disposals/Adjustments	0	-10	-10
Cost at 31 December 2021	0	5,445	5,445
Carrying amount at 31 December 2021	0	5,445	5,445

DKK'000	Parent Company		
	Equity investments in subsidiaries	Other receivables	Total
Cost at 1 January 2021	376,305	3,532	379,837
Additions	0	80	80
Disposals/Adjustments	0	-10	-10
Cost at 31 December 2021	376,305	3,602	379,907
Carrying amount at 31 December 2021	376,305	3,602	379,907

Name and registered office	Voting rights and ownership	Profit/loss DKK'000	Equity DKK'000
Isobar Nordic A/S, København, Denmark	95%	56,944	261,137

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

Notes

DKK'000	Group		Parent Company	
	2021	2020	2021	2020
11 Deferred tax				
Deferred tax at 1 January	881	902	630	748
Foreign currency translation adjustment	3	-4	0	0
Deferred tax adjustment for the year	253	-17	-192	-118
Deferred tax at 31 December	<u>1.137</u>	<u>881</u>	<u>438</u>	<u>630</u>
Deferred tax relates to:				
Intangible assets	181	240	0	111
Property, plant and equipment	666	641	438	519
Current assets	290	0	0	0
	<u>1.137</u>	<u>881</u>	<u>438</u>	<u>630</u>

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 613 thousand at 31 December 2021 (31 December 2020: DKK 390 thousand). Cash will be released upon payment to the Norwegian authorities in 2021.

DKK'000	Group		Parent Company	
	2021	2020	2021	2021
14 Share capital				
500 A shares of DKK 1,000.00 nominal value each	500	500	500	500
	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>

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

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

Notes

15 Other provisions

Other provisions comprise provisions regarding earn-out payments for purchase the of shares in the subsidiary Isobar Nordic A/S. The provision is expected to be settled in 2022.

DKK'000	Group		Parent Company	
	2021	2020	2021	2020
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	0	0	0	0
> 5 years	26,451	25,718	13,916	13,429
	<u>26,451</u>	<u>25,718</u>	<u>13,916</u>	<u>13,429</u>

17 Contractual obligations and contingencies etc.

Lease liabilities can be specified as follows:

Lease liabilities:				
0-1 years	8,499	9,535	7,218	7,425
1-5 years	3,822	3,222	1,574	3,055
> 5 years	0	0	0	0
	<u>12,321</u>	<u>12,757</u>	<u>8,792</u>	<u>10,480</u>

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 723 thousand at 31 December 2021. 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 affiliates Posterscope Denmark A/S (Under frivillig likvidation), CVR no. 29 53 91 89 and Amnet A/S (Under frivillig likvidationer), CVR no. 35 84 73 67.

DKK'000	Group		Parent Company	
	2021	2020	2021	2020
Guarantee commitments	15,000	15,000	15,000	15,000
	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>

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

Notes

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	
	2021	2020
Acquired services from group entities	117,386	301,926
Sale of services to group entities	52,452	49,557
Interest expenses to group entities	272	252
Receivables from group entities	21,657	4,150
Payables to group entities	137,076	138,202

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

DKK'000	Group		Parent Company	
	2021	2020	2021	2020
19 Fees paid to auditor appointed at the annual general meeting				
Total fees to KPMG	679	584	323	280
Fee for statutory audit	569	541	287	248
Assurance engagements	36	32	36	32
Non-audit services	74	11	0	0
	679	584	323	280

DKK'000	Parent Company	
	2021	2020
20 Distribution of profit/loss		
Proposed distribution of profit/loss		
Proposed dividend recognised under equity	0	25,000
Retained earnings/accumulated loss	76,574	-17,429
	76,574	7,571

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

Notes

DKK'000	Group	
	2021	2020
21 Changes in working capital		
Changes in receivables	-91,872	-64,390
Changes in trade and other payables	149,838	29,329
	<u>57,966</u>	<u>-35,061</u>