


SDI Media A/S
Dortheavej 4, 2400 København NV

Company reg. no. 65 12 52 18

Annual report

1 January - 31 December 2015

The annual report have been submitted and approved by the general meeting on the 5 July 2016.



ALAN PAI
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance EUR 146.940 means the amount of EUR 146,940, and that 23,5 % means 23.5 %.

Management's report

The board of directors and the managing director have today presented the annual report of SDI Media A/S for the financial year 1 January to 31 December 2015.

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

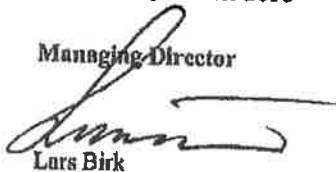
We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 31 December 2015 and of the company's results of its activities in the financial year 1 January to 31 December 2015.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.


Copenhagen, 30 June 2016

Managing Director



Lars Birk

Board of directors



Alberto Abisso
Chairman



Markus Böcker



Mads Eggert Bjarlie

The independent auditor's reports

To the shareholder of SDI Media A/S

Report on the annual accounts

We have audited the annual accounts of SDI Media A/S for the financial year 1 January to 31 December 2015, which comprise accounting policies used, profit and loss account, balance sheet, statement of changes in equity and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

The management's responsibility for the annual accounts

The management is responsible for the preparation of annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore, the management is responsible for such internal control considered necessary in order to prepare annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the annual accounts based on our audit. We conducted our audit in accordance with international standards on auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of annual accounts that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The audit has not resulted in any qualification.

The independent auditor's reports

Opinion

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2015 and of the results of the company's operations for the financial year 1 January to 31 December 2015 in accordance with the Danish Financial Statements Act.

Emphasis of matter paragraph on matters in the accounts

Without it affecting our opinion we draw attention to the information in note 1 which shows that the company's continued operation is dependent on liquidity from the ultimate parent, SDI Media Group Inc., and the parent has issued a financial support statement of adding liquidity to the extent that the management deems it necessary.

Statement on the management's review

Pursuant to the Danish Financial Statements Act, we have read the management's review. We have not performed any further procedures in addition to the performed audit of the annual accounts. On this basis, it is our opinion that the information provided in the management's review is consistent with the annual accounts.

Copenhagen, 5 July 2016

Grant Thornton

Company reg. no. 34 20 99 36


Kim Kjellberg
State Authorised Public Accountant

Company data

The company

SDI Media A/S
Dortheavej 4
2400 København NV

Phone 59656040

Web site www.sdimedia.com

Company reg. no. 65 12 52 18

Established: 1 March 1981

Domicile: Copenhagen

Financial year: 1 January - 31 December

Board of directors

Alberto Abisso, Chairman
Markus Böcker
Mads Eggert Bjørlie

Managing Director

Lars Birk

Auditors

Grant Thornton, Statsautoriseret Revisionspartnerselskab
Stockholmsgade 45
2100 København Ø

Financial highlights

| EUR in thousands. | 2015 | 2014 | 2013 | 2012 | 2011 |
|-----------------------------------|--------|--------|--------|--------|--------|
| Profit and loss account: | | | | | |
| Revenue | 36.107 | 31.874 | 33.598 | 31.274 | 28.789 |
| Gross profit | 8.849 | 8.453 | 10.045 | 9.069 | 9.296 |
| Results from operating activities | -656 | 605 | 1.801 | 1.588 | -113 |
| Net financials | -1.713 | -1.670 | -381 | 256 | -715 |
| Results for the year | -2.673 | -1.388 | 814 | 2.009 | -947 |
| Balance sheet: | | | | | |
| Balance sheet sum | 29.470 | 24.081 | 19.773 | 12.787 | 14.969 |
| Equity | -3.222 | -457 | 739 | -48 | -1.462 |
| Key figures in %: *) | | | | | |
| Gross margin | 24,5 | 26,5 | 29,9 | 29,0 | 32,3 |
| Profit margin | -1,8 | 1,9 | 5,4 | 5,1 | -0,4 |
| Solvency ratio | -10,9 | -1,9 | 3,7 | -0,4 | -9,8 |
| Return on equity | - | - | 235,6 | - | 346,2 |

*) The key figures have been laid out in accordance with the publication "Anbefalinger & Nøgletal 2015" ("Recommendations & Key Figures 2015") published by the CFA Society Denmark. As to definitions, please see the section on accounting policies used.

Management's review

The principal activities of the company

The company's primary activities are sound studio activities, primarily the dubbing, recoding and mixing of films and TV episodes in Denmark and 6 other countries (Sweden, Norway, Finland, Poland, the Netherlands and Belgium) where the company has branch offices.

Uncertainties as to recognition or measurement

The company recognizes work in progress for the projects for which costs were incurred however no revenues are recognized based on work delivery. Work in progress is strictly reviewed in terms of accuracy and recoverability.

Company does not construct fixed assets internally.

Development in activities and financial matters

The net turnover for the year is EUR 36.107 thousand against EUR 31.874 thousand last year. The results from ordinary activities after tax are EUR -2.673 thousand against EUR -1.388 thousand last year. The management consider the results satisfactory.

Special risks

Price risks

The company is facing price risk for the services it offers to their clients. This risk is coming from both clients and competitors side. This risk is considered to be at a moderate level as company is already providing localization and other services at competitive range and high quality.

Exchange rate risks

The company has moderate exposure to the currency risk. The company apart from Denmark is operating via six branches which result with transactions in DKK, EUR, NOK, SEK and PLN. The majority of transactions are denominated in EUR. The company does not hedge transactions in foreign currency and is accepting this risk.

Interest risks

The company has no exposure to the interest rate risk. Company uses group financing and any loans are based on fixed foreign exchange rates.

Environmental issues

The company is not liable to prepare green accounts and has no significant environmental approvals.

Know how resources

The company in creating and accumulating know how via systems and processes. In addition company is continuously increasing the pool of talents and translators cooperating with SDI Media.

The expected outlook

The company management positively looks on the both planned revenue increase and profitability. It is expected that company will generate positive net results in 2016.

Management's review

Events subsequent to the financial year

No events have occurred subsequent to the balance sheet date, which would have material impact on the financial position of the company.

Branches abroad

The company is operating via SDI Media A/S – Danish headquarters and six branches. Branches are located in Norway, Sweden, Netherlands, Belgium, Finland and Poland. The company plans further revenue increase which also positively impact on company profitability.

In 2016 company plans is developing a new theatrical recording facility in the Polish branch in order to meet increasing service demand from the market.

Accounting policies used

The annual report for SDI Media A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class C enterprises (medium sized enterprises).

The accounting policies used are unchanged compared to last year, and the annual report is presented in euro (EUR).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency, which are not settled at the date of the balance sheet, are translated by using the closing rate. The difference between the closing rate and the rate at the time of establishment of the receivable or the payable is recognised in the profit and loss account under financial income and financial costs.

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

Accounting policies used

The profit and loss account

Net turnover

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Contract work in progress concerning construction contracts is recognised concurrently with the progress of the production. Thus the net turnover corresponds to the sales value of the completed productions of the year (the production method).

Production costs

The production costs comprise costs, including salaries, wages and depreciation, which are incurred in order to achieve the net turnover of the year. Trade enterprises recognise cost of sales, and manufacturing enterprises recognise production costs corresponding to the turnover of the year. These costs include direct and indirect costs for raw materials and consumables, salaries and wages, rent and leasing, and depreciation on the production plant.

Additionally, writedown in connection with expected losses on contracts are recognised.

Administration costs

Administration costs comprise costs which have been incurred during the year for management and administration, including costs for the administrative staff, the executive board, offices, stationery and office supplies, and depreciation.

Cost of sales

Cost of sales include costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Other operating income/costs

Other operating income and costs comprise accounting items of secondary nature in proportion to the principal activities of the enterprise.

Net financials

Net financials include interest income, interest expenses, and realised and unrealised capital gains and losses on financial assets and liabilities. Net financials are recognised in the profit and loss account with the amounts concerning the financial year.

Accounting policies used

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The balance sheet

Intangible fixed assets

Intellectual property rights etc.

Intellectual property rights etc. comprise acquired software and licenses.

Intellectual property rights etc. recognised in the balance sheet are measured at cost with deduction of accrued depreciation and writedown. Licenses are amortised over the term of the agreement, but over no more than 20 years. Software are amortised over 5 years.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, subsupplies and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Indirect production costs in the form of indirect attributable staff costs and amortisation of intangible assets and depreciation of tangible fixed assets used in the development process are recognised in cost based on time spent on each asset.

Interest expenses on loans for the financing of the manufacture of tangible fixed assets are included in costs if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

The basis of depreciation is cost with deduction of expected residual value after the end of the useful life of the asset. Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

Other fixtures and fittings, tools and equipment

3-5 years

Leasehold improvements

Leaseperiod or 10 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Accounting policies used

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Fixed tangible assets are written down to the lower of recoverable amount and carrying amount.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Contract work in progress

Contract work in progress for the account of others is measured at the market value of the work performed. The market value is measured on basis of the scope of completion on the balance sheet date and the total expected income from the individual work in progress.

When the market value of a contract can not be determined reliably, the sales value is measured at the costs incurred or at the net realisable value, if this is lower.

The individual work in progress is recognised in the balance sheet under debtors or liabilities, depending on the net value of the sales price with deduction of prepayments and amounts invoiced on account.

Costs in connection with sales work and the achievement of contracts are recognised in the profit and loss account when incurred.

Prepayments

Prepayments comprises incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprise cash at bank and in hand.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Accounting policies used

Liabilities

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

The key figures

The key figures have been laid out in accordance with the publication "Anbefalinger & Nøgletal 2015" ("Recommendations & Key Figures 2015") published by the CFA Society Denmark.

The key figures in the survey appear as follows:

| | |
|------------------------------------|--|
| Gross margin | $\frac{\text{Gross results x 100}}{\text{Net turnover}}$ |
| Profit margin (EBIT margin) | $\frac{\text{Results from primary activities (EBIT) x 100}}{\text{Net turnover}}$ |
| Solvency ratio | $\frac{\text{Equity, closing balance x 100}}{\text{Assets in total, closing balance}}$ |
| Return on equity | $\frac{\text{Results for the year x 100}}{\text{Average equity}}$ |

Profit and loss account 1 January - 31 December

All amounts in EUR.

| Note | 2015 | 2014 |
|--|-------------------|-------------------|
| Revenue | 36.107.092 | 31.873.807 |
| 2 Production costs | -27.258.170 | -23.420.350 |
| Gross results | 8.848.922 | 8.453.457 |
| 3 Administration costs | -9.624.281 | -8.492.127 |
| Other operating income | 252.833 | 790.640 |
| Other operating costs | -133.753 | -147.395 |
| Operating results | -656.279 | 604.575 |
| 4 Other financial income | 267.966 | 257.614 |
| 5 Other financial costs | -1.980.833 | -1.927.794 |
| Results before tax | -2.369.146 | -1.065.605 |
| 6 Tax on ordinary results | -304.051 | -321.941 |
| Results for the year | -2.673.197 | -1.387.546 |
| Proposed distribution of the results: | | |
| Allocated from results brought forward | -2.673.197 | -1.387.546 |
| Distribution in total | -2.673.197 | -1.387.546 |

Balance sheet 31 December

All amounts in EUR.

| Assets | 2015 | 2014 |
|--|--------------------------|--------------------------|
| Note | <u> </u> | <u> </u> |
| Fixed assets | | |
| 7 Acquired licenses | 340.135 | 313.054 |
| Intangible fixed assets in total | <u>340.135</u> | <u>313.054</u> |
| 8 Other fixtures and fittings, tools and equipment | 796.327 | 834.837 |
| 8 Leasehold improvements | 533.868 | 650.506 |
| 8 Property, plant and equipment in progress | 180.733 | 153.345 |
| Tangible fixed assets in total | <u>1.510.928</u> | <u>1.638.688</u> |
| Deposits | 128.689 | 136.019 |
| Financial fixed assets in total | <u>128.689</u> | <u>136.019</u> |
| Fixed assets in total | <u>1.979.752</u> | <u>2.087.761</u> |
| Current assets | | |
| Trade receivables | 5.647.093 | 4.650.895 |
| Contract work in progress | 5.630.001 | 3.322.401 |
| Amounts owed by group enterprises | 14.328.699 | 11.790.838 |
| Income tax receivable | 97.720 | 223.193 |
| Other receivables | 1.324.699 | 1.026.619 |
| Prepayments | 227.371 | 235.918 |
| Debtors in total | <u>27.255.583</u> | <u>21.249.864</u> |
| Cash | 234.661 | 743.662 |
| Current assets in total | <u>27.490.244</u> | <u>21.993.526</u> |
| Assets in total | <u>29.469.996</u> | <u>24.081.287</u> |

Balance sheet 31 December

All amounts in EUR.

| Equity and liabilities | | | |
|-------------------------------|--|-------------------|-------------------|
| Note | | <u>2015</u> | <u>2014</u> |
| | Equity | | |
| 9 | Contributed capital | 134.834 | 134.834 |
| | Results brought forward | -3.356.723 | -592.156 |
| | Equity in total | <u>-3.221.889</u> | <u>-457.322</u> |
| | Liabilities | | |
| | Prepayments received from customers | 1.679.402 | 1.453.922 |
| | Trade payables | 1.146.876 | 464.774 |
| | Debt to group enterprises | 25.240.326 | 18.622.558 |
| | Corporate tax | 268.410 | 446.573 |
| | Other debts | 4.356.871 | 3.550.782 |
| | Short-term liabilities in total | <u>32.691.885</u> | <u>24.538.609</u> |
| | Liabilities in total | <u>32.691.885</u> | <u>24.538.609</u> |
| | Equity and liabilities in total | <u>29.469.996</u> | <u>24.081.287</u> |
| 10 | Assets charges and collateral | | |
| 11 | Contingencies | | |
| 12 | Related parties | | |

Statement of changes in equity

All amounts in EUR.

| | Contributed capital | Results brought forward | In total |
|---|--------------------------------|------------------------------------|-------------------|
| Equity 1 January 2014 | 134.834 | 603.904 | 738.738 |
| Exchange rate adjustments | 0 | 191.486 | 191.486 |
| Profit or loss for the year brought forward | 0 | -1.387.546 | -1.387.546 |
| Equity 1 January 2015 | 134.834 | -592.156 | -457.322 |
| Exchange rate adjustments | 0 | -91.370 | -91.370 |
| Profit or loss for the year brought forward | 0 | -2.673.197 | -2.673.197 |
| | 134.834 | -3.356.723 | -3.221.889 |

Notes

All amounts in EUR.

1. Uncertainties concerning the enterprise's ability to continue as a going concern

The company's ultimate parent, SDI Media Group Inc., has issued a financial support statement for grants of financial resources for continued operations in 2016. The financial support statement is irredeemable in twelve months from the date of approval of the financial statements of 31 December 2015.

2. Production costs

Production costs includes staff cost of EUR 2.430.792 and depreciations, amortisation and impairment losses of EUR 766.632.

3. Administration costs

Administration costs includes staff cost of EUR 4.372.605.

4. Other financial income

Interest, group enterprises

267.610 152.108

Interest income

356 105.506

267.966 257.614**5. Other financial costs**

Financial costs, group enterprises

653.082 481.283

Other financial costs

1.327.751 1.446.5111.980.833 1.927.794**6. Tax on ordinary results**

Tax of the results for the year

304.051 358.862

Adjustment for the year of deferred tax

0 -36.921304.051 321.941

Notes

All amounts in EUR.

| | 31/12 2015 | 31/12 2014 | |
|---|---|-----------------------------------|--|
| 7. Acquired licenses | | | |
| Cost 1 January 2015 | 850.134 | 784.399 | |
| Exchange rate adjustments | 810 | -7.604 | |
| Transfers | 205.165 | 73.339 | |
| Cost 31 December 2015 | 1.056.109 | 850.134 | |
| Amortisation and writedown 1 January 2015 | -537.080 | -386.349 | |
| Exchange rate adjustments | 192 | 4.503 | |
| Amortisation for the year | -179.086 | -155.234 | |
| Amortisation and writedown 31 December 2015 | -715.974 | -537.080 | |
| Book value 31 December 2015 | 340.135 | 313.054 | |
| 8. Property, plant and equipment | | | |
| | Other fixtures and fittings, tools and equipment | Leasehold improvements | Property, plant and equipment in progress |
| Cost 1. januar 2015 | 3.602.130 | 2.488.047 | 153.345 |
| Exchange rate adjustments | 5.166 | -2.908 | 784 |
| Additions | 0 | 2.226 | 856.073 |
| Disposals | -120.677 | 0 | 0 |
| Transfers | 600.029 | 24.275 | -829.469 |
| Cost 31. december 2015 | 4.086.648 | 2.511.640 | 180.733 |
| Depreciation and impairment losses 1. januar 2015 | 2.767.293 | 1.837.540 | 0 |
| Exchange rate adjustments | 2.566 | -4.951 | 0 |
| Depreciations for the year | 504.938 | 145.183 | 0 |
| Reversal regarding disposals | 15.524 | 0 | 0 |
| Depreciation and impairment losses 31. december 2015 | 3.290.321 | 1.977.772 | 0 |
| Book value 31. december 2015 | 796.327 | 533.868 | 180.733 |

Notes

All amounts in EUR.

| | <u>31/12 2015</u> | <u>31/12 2014</u> |
|------------------------------------|-------------------|-------------------|
| 9. Contributed capital | | |
| Contributed capital 1 January 2015 | 134.834 | 134.834 |
| | <u>134.834</u> | <u>134.834</u> |

The share capital consists of 134.834 shares, each with a nominal value of EUR 1. No shares hold particular rights.

The contributed capital has been unchanged the last 5 years.

| | | |
|---------------------------------|------------------|------------------|
| 10. Staff matters | | |
| Salaries and wages | 5.878.717 | 5.377.167 |
| Pension costs | 315.341 | 306.241 |
| Other costs for social security | 609.339 | 622.883 |
| | <u>6.803.397</u> | <u>6.306.291</u> |
| Average number of employees | <u>274</u> | <u>248</u> |

According to section 98 B(3) of the Danish Financial Statements Act, remuneration to the Executive Board has not been disclosed.

11. Assets charges and collateral

Banks providing service to SDI Media A/S issued on the request of the company guarantees in amount of EUR'000 277. SDI Media A/S is liable for settlement of those guarantees.

The company has issued company mortgage of EUR'000 1.342 to the company's bank. The mortgage covers receivables and property, plant and equipment etc..

12. Contingencies**Contingent liabilities**

The company has unrecognised rental and lease commitments. The commitments under rental agreements and leases until expiry amounts to EUR'000 1.969 (2014: EUR'000 3.160).

Notes

All amounts in EUR.

13. Related parties

Ownership

According to the company's list of shareholders, the following shareholders own a minimum of 5 % of the voting rights or a minimum of 5 % of the share capital:

SDI Media Sweden AB, Stockholm, Sweden