DanCenter A/S

Lyngbyvej 20, 2100 København Ø

CVR no. 67 32 40 13

Annual report 2018

Approved at the Company's annual general meeting on 29 May 2019

Chairman:

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Thomas Akselsen

Contents

Statement by Management on the annual report

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of DanCenter A/S for the financial year 1 January - 31 December 2018.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

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

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

Copenhagen, 29 May 2019
Executive Board:

Bret David Kelly	Kim Stengaard Holmsted

Board of Directors:

Tobias Wann Chairman	Bodo Thorsten Thielmann	Christian Marcus Wandrey
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Board of Directors:

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Chairman

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Independent auditor's report

To the shareholders of DanCenter A/S

Opinion

We have audited the financial statements of DanCenter A/S for the financial year 1 January - 31 December 2018, which comprise an income statement, balance sheet, statement of changes in equity, and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 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 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 Company 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 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about 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.

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 Company's internal control.

Independent auditor's report

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Copenhagen 29 May 2019

Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Peter Gath State Authorised Public Accountant MNE no.: mne19718	Kim Thomsen State Authorised Public Accountant MNE no.: mne26736

Management's review

Company details

DanCenter A/S

Lyngbyvej 20

2100 København Ø

Telephone: 70130000

Website: www.dancenter.dk

CVR no.: 67 32 40 13

Established: 6 May 1982

Registered office: Copenhagen

Financial period: 1 January - 31 December

Board of Directors

Tobias Wann, Chairman

Bodo Thorsten Thielmann

Christian Marcus Wandrey

Bret David Kelly

Kim Stengaard Holmsted

Executive Board

Bret David Kelly

Kim Stengaard Holmsted

Auditor

Ernst & Young

Godkendt Revisionspartnerselskab

Osvald Helmuths Vej 4

P.O.Box 250

2000 Frederikberg

CVR no. 30 70 02 28

Financial highlights

In DKK '000	2018	2017	2015/16 (15 mths)	2014/15	2013/14
Key figures					
Revenue	331,877	322,141	360,425	284,361	272,509
Gross profit	151,523	141,378	140,915	124,639	113,509
Profit/loss from financial income and expenses	-2,007	-361	-1	-4	1
Operating profit	18,659	18,372	-11,855	33,037	21,777
Profit for the year	9,553	9,196	-17,348	19,199	21,230
Non-current assets	250,012	271,166	240,547	372,044	364,899
Investment in tangible assets	1,565	1,038	817	10,300	8,180
Current assets	165,601	153,581	175,247	127,511	161,462
Total assets	415,613	424,747	415,794	455,044	487,151
Equity	122,143	237,396	250,881	340,638	341,053
Non-current liabilities	446	392	1,457	6,119	5,974
Current liabilities	293,024	186,959	163,456	110,442	145,894
Financial ratios					
Operating margin	5,6%	5,7%	-3.3%	11.6%	8.0%
Gross margin	45,7%	43.9%	39.1%	43.8%	41.7%
Current ratio	0,56	0.82	1.07	1,16	1.11
Equity ratio	0,29	0.56	0.60	0.75	0.70
Return on equity	5,3%	3.8%	-5.9%	5.6%	6.3%
Average number of full-time employees	270	258	243	242	237

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

Management's review

Operating review

Principal activities

The Company's principal activities comprise arranging vacation rental of private holiday accommodation in Scandinavia and, to a lesser extent, in Germany.

DanCenter A/S is one of Denmark's leading intermediaries of vacation rental with approx. 10,000 holiday homes for rent in Denmark, Sweden, Norway and Germany, which makes the Company one of the largest intermediaries on a European scale.

DanCenter A/S has two main brands: DanCenter and Danland.

The DanCenter brand comprises more than 8,000 holiday homes, of which two thirds are located in Denmark and the remaining part in Norway, Sweden and Germany. The holiday homes are privately owned holiday homes in the form of cottages.

The Danland brand comprises approx. 2,000 holiday homes that are all located in Denmark. The holiday homes are privately owned holiday flats located in holiday centres with varying shared facilities.

DanCenter A/S' primary source markets are Denmark, Germany, the Netherlands, Norway and Sweden with Germany being the largest rental market.

The development in the current season is in line with budget.

Development in activities and financial position

During 2018, DanCenter A/S has acquired the subsidiary Admiral Strand Feriehuse ApS and has liquidated the subsidiary of Maritimo 101, S.L and Administrationsselskabet af 1.10.2015 ApS.

Change in accounting policies

The company has decided to apply IFRS 15 Revenue from Contracts with Customers for interpretation when recognizing revenue in the financial statements for 2018

As per IFRS 15 Revenue from Contracts with Customers revenue is recognized when guest booking is received. Previously, the revenue was recognized when payment was received.

This has resulted in an increase in profit before tax of DKK 739 thousand (2017: a decrease of DKK 730 thousand), an increase in tax for the year of DKK 163 thousand (2017: a decrease of DKK 161 thousand) and an increase in equity of DKK 2,752 thousand (2017: DKK 2,176 thousand).

When measuring above it has resulted in an increase of total assets of DKK 10,413 thousand (2017: DKK 8,175).

The accounting effect of the above transition can thus be specified as follows:

DKK'000	2018	2017
Effect on:		
Result before tax	739	-730
Tax for the year	-163	161
Profit/loss	576	-569
Total Assets	10,413	8,175
Equity	2,752	2,176

The comparative figures have been restated to reflect the change in accounting policies.

Apart from the above, the accounting policies used in preparation of the financial statements are consistent with those of last year.

Profit / loss for the year

Profit / loss for the year is in accordance with expectations for 2018. Based on this, Management believes that the year's earnings of DKK 9,553 thousand were satisfactory.

Management's review

Risks

It is the Company's policy to limit the exposure to risks and the Company uses various instruments and policies to limit these exposures.

It is the objective of the Company that risks are continuously hedged and limited when possible. As an integrated part of Management's work, a number of internal control systems have been implemented to ensure effective risk management.

The day-to-day operations entail a number of business and financial risks. In the below section, which is not exhaustive or prioritised, we have described the risks affecting the Company.

Operating risks

It is Management's assessment that, apart from the usual market risks, the Company has no significant operating risks.

Financial risks

No significant financial risks exists to the best of the management's assessment.

Tax risks

The Company has operations in several markets and is thus subject to several countries' VAT rules and indirect taxes. Any changes to these rules and taxes may entail business risks, which the Company continuously seeks to minimise in cooperation with external advisers.

Litigation and disputes

The Company is involved in a few legal actions. These legal actions are not considered to pose any significant risk to the Company.

Interest rate risks

The interest rate risk is the risk that, due to interest rate fluctuations, the Company will incur additional costs. During the entire year, the Company's cash has been positive, and thus, the risk is considered to be limited to the interest yield thereof. The Company has a small share of floating-rate interest-bearing debt that is not considered to pose any significant interest rate risk.

Credit risks

The primary credit risk of the Company is related to receivables from rental activities, etc. The major part of revenue, and thus receivables from rental activities, etc., is generated/recognised based on the payment term "payment before occupation". Thus, this is not subject to any significant credit risk.

Consequently, the Company does not have significant risks relating to individual private customers. For large business partners/travel agencies, the terms of payment of the industry is most often "payment after moving out", which means that the Company assumes credit risks in relation to the bookings. The Company only works with third parties with a high creditworthiness.

Risk management of credit exposures includes monitoring and dunning every two weeks. Generally, the Company thus has no special risks but may incur losses if unforeseen circumstances at individual business partners/travel agencies suddenly arise making them unable to meet their liabilities.

Currency risks

The Company's business activities - primarily sales activities - exposes it to currency risks related to exchange rate fluctuations.

As the Company's presentation currency is Danish kroner, activities in foreign currencies entail a risk of adverse effects on results, cash flows and equity.

For significant commercial currency risks, it is company policy to hedge these risks by means of forward exchange contracts. Currency risks attributable to investments in foreign subsidiaries and branches are not hedged as these risks are not considered material.

Liquidity risks

Liquidity risk is the risk that the Company cannot meet its obligations as they fall due by not having sufficient cash resources.

The Company's objective is to have sufficient cash resources to continuously be able to make appropriate transactions in case of unforeseen changes in cash flows. Continuous cash management meets the objective.

Management's review

Employee relationships and knowledge resources

The Company's main activity is to provide intermediary services and other related services to the vacation rental activity. It is therefore of the utmost importance that the Company can maintain its loyal and competent employees. They are the Company's most important asset. Development of the employees' competencies and other initiatives is always a priority and a prerequisite for being able to attract and retain competent employees.

Statutory report on corporate social responsibility and the underrepresented gender

It is of high priority that the Company comply with legislation and rules where it operates.

On the Company's website https://www.dancenter.dk/csr-rapportering/, the statutory report on corporate social responsibility and the underrepresented gender for 2018 is available.

Strategy and objectives

Expected development

The growth in recent years is expected to continue with focus on development of product range and market conditions.

The Company has a strong position in the market for vacation rental. It is a position that the Company believes can be strengthened further in the coming years, among others by a strong partnership with @Leisure and continued focus on improving customers' holiday experiences and constantly developing the content and volume of the product range. Focus will still be on efficiency measures to ensure optimum use of resources and thus maintenance of the Company's competitive position. Ability to provide and develop measures to secure and further increase homeowner satisfaction will be decisive for future success.

Events after the balance sheet date

No events have occurred after the balance sheet date that may significantly affect the Company's financial position.

Description of foreign branches

To handle rental activities abroad, the Company has established branches in Germany and Sweden under the following names:

- DanCenter A/S Niederlassung, Deutschland, German branch for Dancenter A/S Denmark.
- Västkustbokningen, Swedish branch for DanCenter A/S, Denmark.

Financial statements 1 January – 31 December

Income statement

Note	DKK'000	1 January – 31 December 2018	1 January – 31 December 2017
2	**Revenue**	**331,877**	**322,141**
	Other operating income	10	0
3	Other external costs	-180,364	-180,763
	Gross margin	**151,523**	**141,378**
4	Staff costs	-108,310	-98,283
5	Depreciation, amortisation and impairment losses	-24,554	-24,723
	Operating profit	**18,659**	**18,372**
	Financial income from group entities	1,638	408
	Financial income from investments in associates	537	-169
6	Financial income	314	473
7	Financial expenses	-2,321	-834
	Profit before tax	**18,827**	**18,250**
8	Tax for the year	-9,274	-9,054
	Profit for the year	**9,553**	**9,196**

Financial statements 1 January – 31 December

Balance sheet

Note	DKK'000	2018	2017
	ASSETS		
	Non-current assets		
9	**Intangible assets**		
	Contractual rights	1,800	2,455
	Goodwill	129,845	152,427
		131,645	154,882
10	**Property, plant and equipment**		
	Land and buildings	25,060	25,044
	Leasehold improvements	522	2,813
	Fixtures and fittings, plant and equipment	741	843
	Property, plant and equipment in progress	543	644
		26,866	29,344
	Financial assets		
11	Equity investments in group entities	82,693	23,854
11	Equity investments in associated entities	7,657	7,098
	Deposits	923	578
	Prepayment investment	0	55,000
12	Deferred tax asset	228	410
		91,501	86,940
	Total non-current assets	250,012	271,166
	Current assets		
	Receivables		
	Trade receivables	158,095	140,117
	Receivables from group entities	0	271
	Other receivables	1,016	1,203
	Joint taxation	2,380	307
	Corporate tax	60	2,951
13	Prepayments	2,084	1,548
		163,635	146,397
	Cash	1,966	7,184
	Total current assets	165,601	153,581
	TOTAL ASSETS	415,613	424,747

Financial statements 1 January – 31 December

Balance sheet

Note	DKK'000	2018	2017
	EQUITY AND LIABILITIES		
	Equity		
14	Share capital	11,000	11,000
	Revaluation reserve	660	466
	Reserve for net revaluation under equity method	4,126	1,398
	Retained earnings	106,357	99,532
	Dividend proposed	0	125,000
	Total equity	122,143	237,396
	Non-current liabilities		
12	Deferred tax	446	392
	Total non-current liabilities	446	392
	Current liabilities		
	Payables to group entities	107,612	27,267
	Trade payables	149,684	133,942
	Corporate tax	452	464
	Other payables	30,525	21,003
	Deferred income	4,751	4,283
	Total current liabilities	293,024	186,959
	Total liabilities	294,470	187,351
	TOTAL EQUITY AND LIABILITIES	415,613	424,747

1 Accounting policies
15 Contractual obligations and contingencies, etc.
16 Mortgages and collateral
17 Related parties
18 Appropriation of profit

Financial statements 1 January – 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Revaluation reserve	Net revaluation reserve according to the equity method	Retained earnings	Dividend proposed for the year	Total
	Equity at 31 December 2016	**11,000**	**208**	**991**	**212,674**	**26,008**	**250,881**
	Change in accounting policy	0	0	0	2,745	0	2,745
	Equity at 1 January 2017	**11,000**	**208**	**991**	**215,419**	**26,008**	**253,626**
	Dividend distribution	0	0	0	0	-25,688	-25,688
	Dividend treasury shares	0	0	0	320	-320	0
18	Change in accounting policy	0	0	0	-569	0	-569
	Foreign exchange adjustment, foreign subsidiary	0	258	4	0	0	262
18	Transfer, see "Appropriation of profit"	0	0	403	-115,638	125,000	9,765
	Equity at 1 January 2018	**11,000**	**466**	**1,398**	**99,532**	**125,000**	**237,396**
	Dividend distribution	0	0	0	0	-125,000	-125,000
	Foreign exchange adjustment, foreign subsidiary	0	194	22	0	0	216
18	Transfer, see "Appropriation of profit"	0	0	2,706	6,825	0	9,531
	Equity at 31 December 2018	**11,000**	**660**	**4,126**	**106,357**	**0**	**122,143**

Financial statements 1 January - 31 December

Notes

1 **Accounting policies**

The annual report of DanCenter A/S for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

Change in accounting policies

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Equity	2,752	2,176

The comparative figures have been restated to reflect the change in accounting policies.

Accounting policy regarding revenue recognition have been changed in 2018, cf. section 2 in Accounting Policies. Comparative figures for 2014 - 2016 have not been adjusted.

Apart from the above, the accounting policies used in preparation of the financial statements are consistent with those of last year.

Omission of consolidated financial statements

Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of DanCenter A/S and group entities are included in the consolidated financial statements of Axel Springer SE. The consolidated financial statements can be obtained at the following address:

Axel Springer SE.

Axel-Springer-Strasse 65

10888 Berlin

Germany.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Axel Springer SE.

Intra-group business combinations

In connection with business combinations such as acquisition and disposal of equity investments, mergers, demergers, addition of assets and exchange of shares, etc., involving enterprises controlled by the parent company, the pooling-of-interests method is used. Differences between the agreed consideration and the carrying amount of the acquired enterprise are recognised in equity. Moreover, comparative figures for previous financial years are restated.

Financial statements 1 January - 31 December

Notes

1 **Accounting policies (continued)**

Segment information

Segment information is provided on business segments and geographical markets. The segment information is in line with the Group's accounting policies, risks and internal financial management.

Assets in the segment comprise assets used directly in revenue-generating activities.

Segment liabilities comprise liabilities derived from the operations of the segment, including trade payables and other payables.

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

Receivables and payables and other monetary items denominated in foreign currencies are translated at closing rates. 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.

Upon recognition of foreign subsidiaries and associates that are independent entities, the income statements are translated into Danish kroner at average exchange rates for the month, and balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising upon translation of foreign subsidiaries' opening equity and results at the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of balances with independent foreign subsidiaries considered part of the total investment in the subsidiary are recognised directly in equity. Similarly, foreign exchange gains and losses on loans and derivative financial instruments taken out for the purpose of hedging investments in foreign subsidiaries are recognised directly in equity.

Upon recognition of foreign subsidiaries that are integrated entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the date of acquisition or the date of subsequent revaluations of the asset. Income statement items are translated at the exchange rates at the transaction date, whereas items derived from non-monetary items are translated at historical exchange rates for the non-monetary item.

Income statement

Revenue

The transaction type of services of the Vacation Rental Management activities relate to arrange and secure a booking for a holiday accommodation, where the company acts as agent for the accommodation owner. The company applies IFRS 15 Revenue from Contracts with Customers for interpretation when recognizing revenue in the financial statements.

On the conclusion of sales contracts which consist of separate sales transactions, the contract price is split up into the individual sales transactions based on the relative fair value approach. The separate sales transactions are recognised as revenue when the criteria for sale of goods or services are met.

A contract is split up into individual sale transactions when the fair value of each individual sales transaction can be calculated reliably and when each individual sales transaction has a separate value for the purchaser. Sales transactions are deemed to have a separate value for the purchaser when the transaction is individually identifiable and is usually sold separately.

Revenue is measured at fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue. Fair value corresponds to the agreed discounted sales price if the payment terms exceeds 12 months.

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Vacation Rental Management

The performance relates to retrieval of individual bookings for the home owner with guest bookings. For each successfully retrieved booking, DanCenter A/S and the home owner enter into a single rental agreement, which can be determined as the distinct performance obligation.

When home owner services are applicable (e.g. coordination of cleaning, linen and key handling), these types of services are seen as separate performance obligations and are separately included in the rental agreement. Also, the pricing applicable for this service is separately agreed in the master agreement and separately mentioned in the rental agreement.

Payment terms

As per the general terms payment should be made immediately upon the booking.

Other operating income

Other operating income comprises items secondary to the Company's activities, including gains on disposal of intangible assets and items of property, plant and equipment.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Staff costs

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

Income from investments in subsidiaries and associates

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries and associates are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries. Only proportionate elimination of intra-group gains/losses is made for equity investments in associates.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax for the year

The Parent Company is subject to the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date when they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The Parent Company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

The tax expense for the year, which comprises the year's current tax charge, joint taxation contributions and changes in the deferred tax charge – including changes arising from changes in tax rates – is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Balance sheet

Intangible assets

Contractual rights

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining life of the patent, and licences are amortised over the contract period.

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life determined on the basis of Management's experience within the individual business areas. The maximum amortisation period is between 5 and 20 years and longest for strategically acquired entities with a strong market position and long-term earnings profile.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, and wages and salaries as well as borrowing costs relating to specific and general borrowing directly attributable to the construction of the individual asset.

Interest expenses on loans to finance the production of items of property, plant and equipment, and which relate to the production period, are recognised in cost. All other borrowing costs are recognised in the income statement.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

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:

Buildings	50 years
Fixtures and fittings, plant and equipment	5-7 years
Leasehold improvements	5-20 years

The basis of 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 time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

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

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

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

Financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast 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. Impairment losses on goodwill are not reversed.

Equity investments in group entities and associates

Equity investments in subsidiaries are measured and recognised in accordance with the equity method. This means that equity investments in the balance sheet are measured at the proportionate share of the entities' net asset value plus or minus unamortised positive and negative consolidated goodwill and plus or minus unrealised consolidated gains and losses.

The Company's share of the entities' profit/loss after elimination of unrealised intragroup gains and losses is recognised in the income statement less or plus amortisation of positive and negative consolidated goodwill.

Subsidiaries with negative net asset value are measured at nil, and any receivables from these entities are written down by the Company's share of the negative net asset value to the extent that they are considered irrecoverable. If the negative net asset value exceeds the receivable, the remaining amount is recognised in provisions to the extent that the Company has a legal or constructive obligation to cover the liabilities of the entity in question.

Net revaluation of equity investments in subsidiaries is transferred to the net revaluation reserve for equity investments to the extent that the carrying amount

Deposits

Deposits are measured at cost.

Receivables

Receivables are measured at amortised cost.

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.

Receivables in respect of which there is no objective evidence of individual impairment are assessed for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the country of domicile and credit ratings of the debtors in accordance with the Group's credit risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the net present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Current assets" comprise expenses incurred concerning subsequent financial years.

Cash and cash equivalents

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

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Equity

Net revaluation reserve according to the equity method comprises net revaluation of equity investments in subsidiaries and associates in proportion to cost.

The reserve can be eliminated in case of loss, realisation of equity investments or changes to accounting estimates.

The reserve cannot be recognised at a negative amount.

Dividend

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

Income tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes or on office premises and other items where temporary differences arise at the date of acquisition without affecting neither the profit/loss for the year nor the taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry-forwards, 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 and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities

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

Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income, recognised under "Liabilities", comprise payments received concerning income in subsequent years.

Financial statements 1 January – 31 December

1 **Accounting policies (continued)**

Financial ratios

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

Operating margin	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$
Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$

Financial statements 1 January – 31 December

Notes

DKK'000		1 January – 31 December 2018	1 January – 31 December 2017
2	**Revenue – segment information**		
	Germany	180,486	177,110
	Denmark and other countries	151,391	145,031
		331,877	322,141

3 **Fees to the auditor appointed by the Annual General Meeting**

Pursuant to section 96(3) of the Danish Financial Statements Act, no specification of the auditors fee has been prepared. The Company's auditors fee is included in the consolidated financial statements of Axel Springer SE.

4	**Staff costs**		
	Wages and salaries	101,149	91,749
	Pensions	1,278	518
	Other staff costs	2,389	2,710
	Other social security costs	3,494	3,306
		108,310	98,283
	Average number of full-time employees	270	258

Staff costs include remuneration to the Executive Board, totaling DKK 10,764 thousand (2017: DKK 5,138 thousand) and pension costs of DKK 90 thousand in 2018 (2017: DKK 0)

5	**Depreciation, amortisation and impairment losses**		
	Amortisation of intangible assets	23,236	23,236
	Depreciation of property, plant and equipment	1,318	1,487
		24,554	24,723
6	**Financial income**		
	Interest income	211	0
	Interest income group entities	103	473
		314	473
7	**Financial expenses**		
	Interest expenses	871	108
	Interest expenses group entities	1,450	726
		2,321	834
8	**Tax for the year**		
	Estimated tax charge for the year	9,213	8,016
	Adjustment of the deferred tax charge for the year	55	1,379
	Prior-year adjustments	6	-341
		9,274	9,054

Financial statements 1 January – 31 December

Notes

9 Intangible assets

DKK'000	Contractual rights	Goodwill	Software	Total
Cost at 1 January 2018	25,093	225,817	3,521	254,431
Additions	0	0	0	0
Disposals	-6,936	0	-19	-6,955
Cost at 31 December 2018	18,157	225,817	3,502	247,476
Amortisation and impairment losses at 1 January 2018	-22,638	-73,391	-3,521	-99,550
Amortisation	-655	-22,581	0	-23,236
Disposals	6,936	0	19	6,955
Amortisation and impairment losses at 31 December 2018	-16,357	-95,972	-3,502	-115,831
Carrying amount at 31 December 2018	1,800	129,845	0	131,645
Amortised over	5-20 years	5-20 years		

10 Property, plant and equipment

DKK'000	Land and buildings	Leasehold improvements	Fixtures and fittings, plant and equipment	Property, plant and equipment in progress	Total
Cost at 1 January 2018	35,737	6,191	4,976	644	47,548
Additions	601	203	655	106	1,565
Disposals	-4,259	-2,457	-429	-207	-7,352
Cost at 31 December 2018	32,079	3,937	5,202	543	41,761
Depreciation and impairment losses at 1 January 2018	-10,693	-3,378	-4,133	0	-18,204
Depreciations	-640	-254	-424	0	-1,318
Impairment losses	4,314	217	96	0	4,627
Depreciation and impairment losses at 31 December 2018	-7,019	-3,415	-4,461	0	-14,895
Carrying amount at 31 December 2018	25,060	522	741	543	26,866
Depreciated over	50 years	5-20 years	5-7 years		

Financial statements 1 January - 31 December

11 Financial assets

DKK'000	Equity Investments in group entities	Equity Investments in associates
Cost at 1 January 2018	22,456	7,311
Additions	62,000	0
Disposals	-5,543	0
Cost at 31 December 2018	78,913	7,311
Value adjustments at 1 January 2018	1,398	-213
Exchange rates adjustments	0	22
Disposals	744	0
Value adjustments in the year	1,638	537
Value adjustments at 31 December 2018	3,780	346
Carrying amount at 31 December 2018	82,693	7,657

Investments in affiliated companies are as follows:

Name:	Domicile:	Ownership:	Equity:	Profit for the year:
DanCenter EDB Service ApS	Copenhagen	100%	14,081	583
DanCenter GmbH	Hamburg	100%	4,307	613
Residence de Monbrison A/S	Copenhagen	73,16%	2,553	39
Admiral Strand Feriehuse ApS	Copenhagen	100%	22,699	5,894

Investments in associates companies are as follows:

Name:	Domicile:	Ownership:	Equity:	Profit for the year:
Marina Wendtorf Invest II GmbH & Co. KG	Kiel	49%	14,346	1,096

Financial statements 1 January - 31 December

DKK'000		2018	2017
12	**Deferred tax**		
	Deferred tax at 1 January	18	1,397
	Adjustment of the deferred tax charge for the year	-236	-1,379
	Deferred tax at 31 December	-218	18
	The deferred tax charge relates to:		
	Intangible assets	-396	-540
	Property, plant and equipment	-50	148
	Tax loss carry forward	228	410
		-218	18
	Deferred tax is recognised in the balance as:		
	Deferred tax assets	228	410
	Deferred tax liabilities	-446	-392
	Deferred tax is split in different tax jurisdictions:		
	Sweden	228	410
	Denmark	-446	-392
		-218	18
13	**Prepayments**		
	Prepayments of expenses relates to magazines, rentals, insurance and subscriptions	2,084	1,548

14 **Share capital**

The share capital comprises 11.000 shares of DKK 1.000 nominal value each.

15 **Contractual obligations and contingencies, etc.**

Contingent assets

The Company is jointly taxed with its subsidiaries; Residence de Monbrison A/S, Admiral Strand Feriehuse ApS and DanCenter EDB-Service ApS. As management company, the Company has joint and unlimited liability for payment of Danish income taxes.

Operating lease liabilities

Contractual liabilities comprise rent, car leases and lease of other operating equipment:

Lease liabilities		
0-1 year	6,335	6,662
1-5 years	9,934	7,634
> 5 years	286	122
Total liabilities	16,555	14,418

Financial statements 1 January – 31 December

Notes

16 **Mortgages and collateral**

Assets pledged as security for the rent deposit to Datea A/S amount to DKK 940 thousand (2017 DKK 948 thousand) and are recognised as financial assets held to maturity as well as cash.

17 **Related parties**

DanCenter A/S' related parties comprise the following:

Significant influence

Dancenter A/S is part of the consolidated financial statements of Axel Springer SE, Berlin, which is the largest group in which the company is included as a subsidiary. DanCenter A/S is also part the consolidated financial statements of @Leisure Holding B.V., Amsterdam.

The consolidated financial statements of Axel Springer SE and @Leisure Holding B.V. can be obtained by contacting the company.

Parties exercising control
@Leisure Holding B.V. Rotterdam, Netherlands, is 100% owner of the share capital in the entity.

Related party transactions

DanCenter A/S was engaged in the below related party transactions with group entities:

DKK'000	2018	2017
Related party transactions		
Income statement:		
Sales to group entities	3,955	3,522
Purchases from group entities	-12,242	-13,674
Financial expenses	-2,121	-709
Dividend	-125,000	-26,502
Total	-135,408	-37,363
Balance sheet:		
Receivables/Payables/Loan to group entities	-103,745	-26,576

18 **Appropriation of profit**

Recommended appropriation of profit		
Proposed dividend recognised under equity	0	125,000
Net revaluation reserve according to the equity method	2,727	403
Change in accounting policy	0	-569
Retained earnings	6,825	-115,638
	9,553	9,196