
Mediacom Danmark A/S

Antonigade 2, 2., DK-1106 Copenhagen C

Annual Report for 1 January - 31 December 2016

CVR No 78 42 20 17

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
12/6 2017

Lars Petersen
Chairman

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Mediacom Danmark A/S for the financial year 1 January - 31 December 2016.

The Annual Report is 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 at 31 December 2016 of the Company and of the results of the Company operations for 2016.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 12 June 2017

Executive Board

Morten Kjærsgaard Kristensen
CEO

Board of Directors

Jonas von Barnekow Benzon
Hemmingsen
Chairman

Morten Kjærsgaard Kristensen

Jens Storkfelt

Independent Auditor's Report

To the Shareholder of Mediacom Danmark A/S

Opinion

We have audited the Financial Statements of Mediacom Danmark A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Independent Auditor's Report

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 the 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 these Financial Statements.

As part of an audit conducted in accordance with ISAs and the 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.
- 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 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 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.

Independent Auditor's Report

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

Copenhagen, 12 June 2017

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No 33 96 35 56

Kim Takata Mücke
State Authorised Public Accountant

Morten Jarlbo
State Authorised Public Accountant

Company Information

The Company

Mediacom Danmark A/S
Antonigade 2, 2.
DK-1106 Copenhagen C

CVR No: 78 42 20 17

Financial period: 1 January - 31 December

Municipality of reg. office: Copenhagen

Board of Directors

Jonas von Barnekow Benzou Hemmingsen, Chairman
Morten Kjærsgaard Kristensen
Jens Storkfelt

Executive Board

Morten Kjærsgaard Kristensen

Auditors

Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK-0900 Copenhagen C

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK	2012 TDKK
Key figures					
Profit/loss					
Revenue	615.598	596.548	708.106	780.949	746.848
Gross profit/loss	48.405	47.712	56.713	52.104	50.876
Operating profit/loss	3.545	1.013	6.852	4.861	3.069
Net profit/loss for the year	2.782	939	5.788	4.565	2.900
Balance sheet					
Balance sheet total	168.608	143.756	185.536	187.626	201.494
Equity	58.959	56.177	55.235	49.447	61.882
Investment in property, plant and equipment	216	31	19	30	344
Ratios					
Gross margin	7,9%	8,0%	8,0%	6,7%	6,8%
Net margin	0,5%	0,2%	0,8%	0,6%	0,4%
Solvency ratio	35,0%	39,1%	29,8%	26,4%	30,7%
Return on equity	4,8%	1,7%	11,1%	8,2%	4,8%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts 2015. For definitions, see under accounting policies.

Management's Review

Primary activities

As in prior years, the Entity's primary activity has been to service Danish and Nordic advertisers, mainly in co-operation with the other Mediacom companies based in the Nordic countries.

Development in the year

The income statement of the Company for 2016 shows a profit of TDKK 2,782, and at 31 December 2016 the balance sheet of the Company shows equity of TDKK 58,959.

The Company shows a modest growth in revenue while an decrease in staff expenses has resulted in a significantly improved Profit/loss before financial income and expenses. The financial performance is satisfactory.

The past year and follow-up on development expectations from last year

In the 2015 annual report, Management stated that it still expected challenges in the market, however, it expected a positive financial performance for 2016. These expectations have materialised.

Particular risks

Business risks

The Entity's main business risks relate to the business sector's investments in media and marketing activities. Consequently, the development of the Entity is dependent on the general financial climate for enterprises in Denmark.

Outlook

The Entity expects continued challenges for 2017 and challenges in the market. The Entity expects a profit for 2017 in line with 2016.

Intellectual capital resources

A substantial part of the Entity's business hinges on the existence of certain staff resources and tools, which have been further developed throughout the year, both in terms of value-based management and with respect to processes and structures for knowledge-based work.

Statement of corporate social responsibility

A statement regarding the Entity's policies, actions and results within matters relating to CSR is evident from the annual report of the ultimate Parent, WPP Plc. for which reason we refer to the annual report of this entity.

<http://www.wpp.com/wpp/investor/financials/reports/>

Management's Review

Statement on gender composition

At 31 December 2016, the gender balance of the Entity showed a percentage of women of 52% and a percentage of men of 48%. The Entity's total management group consisted of 36% women. There is one woman (25%) on the Executive Board or the Board of Directors.

It is the overall and long-term objective of the Entity to achieve a more equal balance between the genders at management level, including to focus on attracting more women to the Entity in future and developing these women to join the management group.

In 2017, the Entity will continue to work on specific initiatives, and, on this basis, set target figures for women in the Entity's management tiers for 2018 and onwards so that the Entity can report thereon in the management commentary for 2017.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2016 of the Company and the results of the activities of the Company for the financial year for 2016 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2016</u> TDKK	<u>2015</u> TDKK
Revenue		615.598	596.548
Cost of sales		-536.983	-517.942
Other external expenses		-30.210	-30.894
Gross profit/loss		48.405	47.712
Staff expenses	1	-44.757	-46.627
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-103	-72
Profit/loss before financial income and expenses		3.545	1.013
Income from investments in subsidiaries		-8	249
Financial income	3	305	316
Financial expenses	4	-130	-170
Profit/loss before tax		3.712	1.408
Tax on profit/loss for the year	5	-930	-469
Net profit/loss for the year		2.782	939

Balance Sheet 31 December

Assets

	Note	2016 TDKK	2015 TDKK
Other fixtures and fittings, tools and equipment		185	95
Leasehold improvements		42	38
Property, plant and equipment	6	227	133
Investments in subsidiaries	7	3.766	3.774
Other receivables	8	49	329
Fixed asset investments		3.815	4.103
Fixed assets		4.042	4.236
Trade receivables		144.452	106.158
Contract work in progress		293	279
Receivables from group enterprises		18.712	30.475
Other receivables		75	1.857
Deferred tax asset	11	0	226
Prepayments	9	1.019	512
Receivables		164.551	139.507
Cash at bank and in hand		15	13
Currents assets		164.566	139.520
Assets		168.608	143.756

Balance Sheet 31 December

Liabilities and equity

	Note	2016 TDKK	2015 TDKK
Share capital		20.000	20.000
Reserve for net revaluation under the equity method		3.197	3.205
Retained earnings		35.762	32.972
Equity	10	58.959	56.177
Provision for deferred tax	11	90	0
Provisions		90	0
Credit institutions		0	40
Prepayments received from customers		21.872	22.602
Trade payables		69.808	57.480
Payables to group enterprises		7.574	1.030
Corporation tax		373	244
Other payables	12	9.932	6.183
Short-term debt		109.559	87.579
Debt		109.559	87.579
Liabilities and equity		168.608	143.756
Distribution of profit	15		
Contingent assets, liabilities and other financial obligations	13		
Related parties	16		
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Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>
Equity at 1 January	20.000	3.205	32.972	56.177
Net profit/loss for the year	<u>0</u>	<u>-8</u>	<u>2.790</u>	<u>2.782</u>
Equity at 31 December	<u>20.000</u>	<u>3.197</u>	<u>35.762</u>	<u>58.959</u>

Notes to the Financial Statements

	2016 <u>TDKK</u>	2015 <u>TDKK</u>
1 Staff expenses		
Wages and salaries	41.468	43.294
Pensions	2.558	2.617
Other social security expenses	608	569
Other staff expenses	123	147
	<u>44.757</u>	<u>46.627</u>
Average number of employees	<u>81</u>	<u>85</u>
<p>Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.</p> <p>The Executive Board and senior officers at Mediacom Danmark A/S are participating in the WPP Group's share option programme. The programme has been entered with WPP Plc. and Mediacom Danmark A/S is not impacted financially.</p>		
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation of property, plant and equipment	103	72
	<u>103</u>	<u>72</u>
3 Financial income		
Interest received from group enterprises	121	0
Other financial income	179	303
Exchange adjustments	5	13
	<u>305</u>	<u>316</u>
4 Financial expenses		
Interest paid to group enterprises	12	28
Other financial expenses	88	76
Exchange adjustments, expenses	30	66
	<u>130</u>	<u>170</u>

Notes to the Financial Statements

	2016 <u>TDKK</u>	2015 <u>TDKK</u>
5 Tax on profit/loss for the year		
Current tax for the year	596	434
Deferred tax for the year	316	0
Adjustment of tax concerning previous years	18	35
	<u>930</u>	<u>469</u>
6 Property, plant and equipment		
	Other fixtures and fittings, tools and equipment <u>TDKK</u>	Leasehold improvements <u>TDKK</u>
Cost at 1 January	8.212	1.555
Additions for the year	187	29
Disposals for the year	-31	0
Cost at 31 December	<u>8.368</u>	<u>1.584</u>
Impairment losses and depreciation at 1 January	8.114	1.518
Depreciation for the year	79	24
Reversal of impairment and depreciation of sold assets	-10	0
Impairment losses and depreciation at 31 December	<u>8.183</u>	<u>1.542</u>
Carrying amount at 31 December	<u>185</u>	<u>42</u>

Notes to the Financial Statements

	2016 <u>TDKK</u>	2015 <u>TDKK</u>
7 Investments in subsidiaries		
Cost at 1 January	569	569
Cost at 31 December	569	569
Value adjustments at 1 January	3.205	2.956
Net profit/loss for the year	-8	249
Value adjustments at 31 December	3.197	3.205
Carrying amount at 31 December	3.766	3.774

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
Promedia A/S	Copenhagen	100%

8 Other fixed asset investments

	Other receiv- ables <u>TDKK</u>
Cost at 1 January	329
Disposals for the year	-280
Cost at 31 December	49
Carrying amount at 31 December	49

9 Prepayments

Prepayments comprise prepayments of various subscriptions, rent, water, heating and electricity, etc. and total t.DKK 1.019 in 2016 (t.DKK 512 in 2015).

Notes to the Financial Statements

10 Equity

The share capital consists of 20,000 shares of a nominal value of DKK 1,000. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

Notes to the Financial Statements

	2016 <u>TDKK</u>	2015 <u>TDKK</u>
11 Provision for deferred tax		
Property, plant and equipment	-131	-229
Leasehold Improvements	3	3
Contract work in progress	218	0
Deferred tax liability / tax asset	90	-226

Deferred tax has been provided at 22% corresponding to the current tax rate.

12 Other payables

Value added tax etc	4.064	1
Wages and salaries, personal income taxes, social security costs, etc.	767	742
Holiday pay obligation	4.385	4.530
Other debt	716	910
	9.932	6.183

13 Contingent assets, liabilities and other financial obligations

Contingent liabilities

Commitments under rental agreements or leases until expiry	1.777	2.205
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Mediacom Danmark A/S has provided a guarantee of TDKK 12,000 in favour of the Company's banker. The guarantee is provided towards the Security Fund of the Danish Association of Advertising and Relationship Agencies in order to compensate the Company's obligations in relation to owners of papers and magazines, and a specified group of Danish media owners, respectively.

A bank guarantee of TDKK 1,552 has been provided regarding rental obligations.

The Company participates in a Danish joint taxation arrangement in which WPP Holding Denmark A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

Notes to the Financial Statements

	2016 TDKK	2015 TDKK
14 Fee to auditors appointed at the general meeting		
Deloitte		
Audit fee	472	465
Other assurance engagements	20	20
Tax advisory services	0	15
Andre ydelsler	0	16
	492	516
15 Distribution of profit		
Reserve for net revaluation under the equity method	-8	249
Retained earnings	2.790	690
	2.782	939

16 Related parties

Basis

Controlling interest

Grey Nordic ApS	Shareholder
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Transactions

Transactions with related parties are conducted on market terms.

Consolidated Financial Statements

Name and registered office to the Parent preparing consolidated financial statements for the smallest group:

Name	Place of registered office
WPP Plc.	27 Farm Street, W17 5RJ, London, England

The Group Annual Report of WPP Plc. may be obtained at the following address: www.wppinvestor.com

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of Mediacom Danmark A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Company does not operate within geographic areas which deviate significantly from Denmark. In accordance with section 96 of the Danish Financial Statements Act, the Company has chosen not to disclose segment information, as the Company does not operate within activities or business areas that deviate in profit or risk profile.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2016 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of WPP Plc., the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of , the Company has not prepared a cash flow statement.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Notes to the Financial Statements

17 Accounting Policies (continued)

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Income Statement

Revenue

Revenue from the sale of media is recognised in the income statement when delivery is made to the buyer.

Consultancy services are included in revenue based on the stage of completion so that revenue corresponds to the sales value of the work performed in the financial year (the percentage-of-completion method).

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Cost of sales

Cost of sales comprise consumed use of media to achieve the revenue for the year. Use of media include received discounts, etc.

Other external expenses

Other external expenses comprise expenses for premises, stationery and office supplies, marketing costs and services provided by group related companies etc. This item also includes write-downs of receivables recognised in current assets.

Staff expenses

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Notes to the Financial Statements

17 Accounting Policies (continued)

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses relating to property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Other financial income comprises interest income, including interest income on receivables from group enterprises, net foreign exchange, as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net foreign change, as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with the other WPP companies in Denmark. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

17 Accounting Policies (continued)

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

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

Depreciation period and residual value are reassessed annually.

Investments in subsidiaries

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Cash pool

The Company is part of a cash pool scheme with other Danish WPP companies. Consequently, a considerable portion of the Company's bank deposits and debt is included in receivables from and payables to group enterprises, respectively.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Notes to the Financial Statements

17 Accounting Policies (continued)

Contract work in progress

Contract work in progress regarding service is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Notes to the Financial Statements

17 Accounting Policies (continued)

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods or service agreed.

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Net margin	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$