Dansk Reklame Film A/S

Mosedalvej 14, 2500 Valby

CVR no. 89 63 27 14

Annual report 2018

Approved at the Company's annual general meeting on 28.05.2019

Chairman:

Lisbeth Krener

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Lisbeth Krener

Contents

Statement by the Board of Directors and the Executive Board

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

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 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 be approved at the annual general meeting.

Valby, 15 May 2019
Executive Board:

Carsten Trillingsgaard
Ellemo
CEO

Board of Directors:

Erik Kongsvik-Ibsen Chairman	Vibeke Pallisgaard Wolfsberg	Asger Flygare Bech- Thomsen

Independent auditor's report

To the shareholder of Dansk Reklame Film A/S

Opinion

We have audited the financial statements of Dansk Reklame Film A/S for the financial year 1 January - 31 December 2018, which comprise 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 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 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 the 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 as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 the 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.

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

Copenhagen, 15 May 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Birgit Morville Schrøder
State Authorised Public Accountant
mne21337

Management's review

Company details

Name	Dansk Reklame Film A/S
Address, Postal code, City	Mosedalvej 14, 2500 Valby
CVR no.	89 63 27 14
Established	22 April 1980
Registered office	Copenhagen
Financial year	1 January - 31 December
Board of Directors	Erik Kongsvik-Ibsen, Chairman Vibeke Pallisgaard Wolfsberg Asger Flygare Bech-Thomsen
Executive Board	Carsten Trillingsgaard Ellemo, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights

DKK'000	2018	2017	2016	2015	2014
Key figures					
Gross margin	27,699	11,740	17,047	22,166	11,946
Ordinary operating profit/loss	2,656	-15,961	-9,603	-3,745	-5,851
Net financials	-188	-499	-1,621	-1,879	-1,980
Profit/loss for the year	**1,898**	**-15,136**	**-8,885**	**-4,712**	**-6,810**
Total assets	59,341	82,376	76,089	62,575	55,786
Investment in property, plant and equipment	990	643	230	11,718	8,459
Equity	**8,578**	**-75,820**	**-47,116**	**-25,033**	**-12,648**
Financial ratios					
Return on assets	3.7%	-20.1%	-13.9%	-6.3%	-12.1%
Equity ratio	14.5%	-92.0%	-61.9%	-40.0%	-22.7%
Return on equity	4.5%	-24.6%	-24.6%	-25.0%	-217.9%
Average number of employees	33	35	33	33	26

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

Management's review

Business review

The Company's principal activities comprise sale of nationwide and local digital cinema advertising and sale of digital and analogue advertising in Copenhagen Airport.

In relation to the principal activities, the Company is also engaged in sale and provision of off-screen activities, foyer spot, gatherings and events, etc.

Financial review

The Company's income statement for 2018 shows a profit of DKK 1,898 thousand as against a loss of DKK 15,136 thousand for 2017. The Company's balance sheet at 31 December 2018 shows positive equity of DKK 8,578 thousand against negative equity for 2017 of DKK 75,820 thousand.

The profit for 2018 is as expected.

During 2018 the Company has repaid DKK 111.5 million to the customers who were affected by the advertisement supply shortfall. The Danish police is still investigating the case, and the Company is collaborating on the matter.

Special risks

The Company does not have any special industry or business risks.

Events after the balance sheet date

No significant events have occurred after the balance sheet date.

Outlook

The profit for 2019 is expected to be increased.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2018	2017
	Gross margin	27,699	11,740
2	Staff costs	-19,928	-22,965
3	Amortisation/depreciation of intangible assets and property, plant and equipment	-5,115	-4,736
	Profit/loss before net financials	2,656	-15,961
4	Financial income	55	20
5	Financial expenses	-243	-519
	Profit/loss before tax	2,468	-16,460
6	Tax for the year	-570	1,324
	Profit/loss for the year	1,898	-15,136

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2018	2017
	ASSETS		
	Fixed assets		
7	**Intangible assets**		
	Completed development projects	1,690	2,365
		1,690	2,365
8	**Property, plant and equipment**		
	Fixtures and fittings, other plant and equipment	4,735	7,938
	Property, plant and equipment under construction	103	0
		4,838	7,938
	Total fixed assets	6,528	10,303
	Non-fixed assets		
	Receivables		
	Trade receivables	23,481	23,435
	Receivables from group entities	509	20,604
9	Deferred tax assets	1,127	24,682
	Corporation tax receivable	22,973	0
	Other receivables	1,357	717
10	Prepayments	3,366	2,635
		52,813	72,073
	Total non-fixed assets	52,813	72,073
	TOTAL ASSETS	59,341	82,376

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2018	2017
	EQUITY AND LIABILITIES		
	Equity		
11	Share capital	3,100	3,100
	Reserve for development costs	1,242	1,469
	Retained earnings	4,236	-80,389
	Proposed dividend	0	0
	Total equity	8,578	-75,820
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	20,357	5,665
	Payables to group entities	22,149	18,589
	Corporation tax payable	0	4,759
	Other payables	1,696	114,702
12	Deferred income	6,561	14,481
		50,763	158,196
	Total liabilities other than provisions	50,763	158,196
	TOTAL EQUITY AND LIABILITIES	59,341	82,376

1 Accounting policies
13 Contractual obligations and contingencies, etc.
14 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Reserve for development costs	Retained earnings	Proposed dividend	Total
	Equity at 1 January 2017	3,100	1,959	-65,743	13,568	-47,116
15	Transfer, see "Appropriation of profit/loss"	0	-490	-14,646	0	-15,136
	Dividend distributed	0	0	0	-13,568	-13,568
	Equity at 1 January 2018	3,100	1,469	-80,389	0	-75,820
15	Transfer, see "Appropriation of profit/loss"	0	-227	2,125	0	1,898
	Contribution from group	0	0	82,500	0	82,500
	Equity at 31 December 2018	3,100	1,242	4,236	0	8,578

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Dansk Reklame Film A/S for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

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

Omission of a cash flow statement

With reference 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 consolidated cash flow statement of Egmont International Holding A/S and Egmont Fonden.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated into Danish kroner at the exchange rate at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in the income statement as financial income/expenses.

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under contingent liabilities.

Income statement

Revenue

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

Income from the sale of goods and finished goods is recognised in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be made up reliably and is expected to be received.

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

Gross margin

With reference to section 32 of the Danish Financial Statements Act, the items Revenue and Other external expenses are consolidated into one item called Gross profit/loss.

Other external expenses

Other external expenses comprise the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions, as well as other social security contributions, etc., made to the Company's employees. Refunds received from public authorities are deducted from staff costs.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, including from group entities, realised and unrealised exchange gains and losses regarding transactions denominated in foreign currencies.

Tax

The Company is jointly taxed with the Egmont Group's other Danish entities with Egmont International Holding A/S as the administrative company.

The current tax is allocated by settling the joint taxation contributions between the jointly taxed entities in proportion to their taxable income. Loss-making entities receive joint taxation contributions from entities which have been able to apply the losses to reduce their own taxable income (full absorption).

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts recognised directly in equity is recognised directly in equity.

Balance sheet

Intangible assets

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs.

Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 5 years.

Gains and losses on the sale of intangible assets are recognised in the income statement under other operating income or other operating expenses, respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Property, plant and equipment

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Depreciation, which is calculated as cost less any residual value, is provided on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Fixtures and operating equipment: 3-5 years

Depreciation is calculated 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.

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

Impairment of fixed assets

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

Receivables

Receivables are measured at amortised cost.

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

Write-down for bad and doubtful debts is made when there is objective evidence that a receivable or a portfolio of receivables has been 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 tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Write-downs are calculated as the difference between the carrying amount of the receivables and the 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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Prepayments

Prepayments comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash at bank and in hand comprise operating cash and bank deposits.

Given the nature of the Group's cash pool arrangement, cash pool balances are not considered cash, but are recognised under receivables from group entities.

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividends or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Proposed dividends

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

Corporation tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account. Joint taxation contribution payable and receivable is recognised in the balance sheet as corporation tax receivable or corporation tax payable.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to non-deductible assets where temporary differences arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are measured 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. Any deferred net assets are measured at net realisable values.

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

Liabilities

Other liabilities are measured at net realisable value.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Deferred income

Deferred income comprises payments received concerning income in subsequent financial reporting years.

Financial ratios

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

Return on assets $\dfrac{\text{Profit/loss from operating activites x 100}}{\text{Average assets}}$

Equity ratio $\dfrac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$

Return on equity $\dfrac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$

Financial statements 1 January - 31 December

Notes to the financial statements

	DKK'000	2018	2017
2	**Staff costs**		
	Wages/salaries	18,699	21,565
	Pensions	1,020	1,215
	Other social security costs	209	185
		19,928	22,965
	Average number of full-time employees	33	35

Remuneration of the Company's Management totalled DKK 1,4 million in 2018. In 2017, the remuneration totalled DKK 2.8 million.

3	**Amortisation/depreciation of intangible assets and property, plant and equipment**		
	Amortisation of intangible assets	1,025	938
	Depreciation of property, plant and equipment	4,090	3,798
		5,115	4,736
4	**Financial income**		
	Other financial income	55	20
		55	20
5	**Financial expenses**		
	Interest expenses, group entities	102	33
	Other financial expenses	141	486
		243	519
6	**Tax for the year**		
	Estimated tax charge for the year	-22,973	4,759
	Deferred tax adjustments in the year	23,555	-6,083
	Tax adjustments, prior years	-12	0
		570	-1,324

Financial statements 1 January - 31 December

Notes to the financial statements

7 **Intangible assets**

DKK'000	Completed development projects
Cost at 1 January 2018	7,374
Additions	350
Cost at 31 December 2018	7,724
Impairment losses and amortisation at 1 January 2018	5,009
Amortisation	1,025
Impairment losses and amortisation at 31 December 2018	6,034
Carrying amount at 31 December 2018	1,690

Completed development projects comprise development of the Company's CRM system.
Management has not identified any indication of impairment.

8 **Property, plant and equipment**

DKK'000	Fixtures and fittings, other plant and equipment	Property, plant and equipment under construction	Total
Cost at 1 January 2018	18,922	0	18,922
Additions	0	990	990
Transferred	887	-887	0
Cost at 31 December 2018	19,809	103	19,912
Impairment losses and depreciation at 1 January 2018	10,984	0	10,984
Depreciation	4,090	0	4,090
Impairment losses and depreciation at 31 December 2018	15,074	0	15,074
Carrying amount at 31 December 2018	4,735	103	4,838

DKK'000	2018	2017
9 **Deferred tax assets**		
Deferred tax at 1 January	-24,682	-18,599
Adjustment of the deferred tax charge for the year	23,555	-6,083
Deferred tax at 31 December	-1,127	-24,682
Deferred tax relates to:		
Intangible assets	289	410
Property, plant and equipment	-490	-100
Provisions	-509	0
Liabilities	-417	-24,992
	-1,127	-24,682

Based on expectations for the future, the management has considered it likely that future taxable income will be available, in which unused tax deductions can be utilized.

Financial statements 1 January - 31 December

Notes to the financial statements

10 Prepayments

Prepayments comprise accrual of expenses relating to subsequent years.

11 Share capital

The share capital consists of 3,100 shares of nom. DKK 1,000 each. All shares rank equally.

The share capital has remained unchanged for the past five years.

12 Deferred income

Deferred income consists of payments received from customers that cannot be recognised as revenue until in the subsequent financial year.

13 Contractual obligations and contingencies, etc.

Contingent liabilities

The Company is jointly taxed with other Danish entities in the Egmont International Holding Group. Together with the other entities included in the joint taxation, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties.

Other financial obligations

The Company has non-terminable leases expiring at the end of 2020. The minimum rent in the non-terminable period is estimated at approx. DKK 66.8 million. (2017: DKK 91.5 million).

Other lease- and rent commitments amounted to DKK 0.9 million at 31 December 2018 (2017: DKK 1.3 million).

The company has a guarantee commission of DKK 12.2 milion at 31 December 2018.

Financial statements 1 January - 31 December

Notes to the financial statements

14 Related parties

Dansk Reklame Film A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Nordisk Film A/S	Mosedalvej 14, 2500 Valby	Shareholder
Egmont International Holding A/S	Vognmagergade 11, 1148 Copenhagen K	Parent company of Nordisk Film A/S
Egmont Fonden	Vognmagergade 11, 1148 Copenhagen K	Ultimate parent

Information about consolidated financial statements

Parent	Domicile
Egmont Fonden	Vognmagergade 11, 1148 Copenhagen K
Egmont International Holding A/S	Vognmagergade 11, 1148 Copenhagen K

Related party transactions

Dansk Reklame Film A/S was engaged in the below related party transactions:

DKK'000	2018	2017
Sale of goods and services, group entities	1,854	-4,011
Acquisition of goods and services, group entities	40,249	35,929
Management fee, group entities	409	1,573
Interest expenses, group entities, net	102	33
Receivables from group entities	509	20,604
Payables to group entities	22,149	18,589

15 Appropriation of profit/loss

Recommended appropriation of profit/loss		
Reserve for development costs	-227	-490
Retained earnings/accumulated loss	2,125	-14,646
	1,898	-15,136