
Warner Music Denmark A/S

Falkoner Allé 7, 3, DK-2000 Frederiksberg

Annual Report for 1 October 2015 - 30 September 2016

CVR No 12 66 78 33

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
14/12 2016

Mark Smith
Chairman

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Warner Music Denmark A/S for the financial year 1 October 2015 - 30 September 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 30 September 2016 of the Company and of the results of the Company's operations for the financial year 1 October 2015 - 30 September 2016.

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

Frederiksberg, 14 December 2016

Executive Board

Mikkel Torsting
CEO

Board of Directors

Per Jonas Osborne Siljemark
Chairman

Christopher John Ancliff

Roger Denys Booker

Johan Martin Forsman

Mikkel Torsting

Independent Auditor's Report on the Financial Statements

To the Shareholder of Warner Music Denmark A/S

Report on the Financial Statements

We have audited the Financial Statements of Warner Music Denmark A/S for the financial year 1 October 2015 - 30 September 2016. The financial statements comprise accounting policies, income statement, balance sheet, and notes. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

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

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

Our audit has not resulted in any qualification.

Independent Auditor's Report on the Financial Statements

Opinion

In our opinion, the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 30 September 2016 and of the results of the Company's activities for the financial year 1 October 2015 - 30 September 2016 in accordance with the Danish Financial Statements Act.

Statement on Management's Review

In accordance with the Danish Financial Statements Act we have read the Management's review. We have not performed any procedures additional to the audit of the Financial Statements. On this basis it is our opinion that the information provided in Management's Review is consistent with the Financial Statements.

København, 14 December 2016

KPMG

Statsautoriseret Revisionspartnerselskab

CVR No 25 57 81 98

Martin Eiler

statsautoriseret revisor

Company Information

The Company

Warner Music Denmark A/S
Falkoner Allé 7, 3
DK-2000 Frederiksberg

CVR No: 12 66 78 33
Financial period: 1 October - 30 September
Municipality of reg. office: Frederiksberg

Board of Directors

Per Jonas Osborne Siljemark, Chairman
Christopher John Ancliff
Roger Denys Booker
Johan Martin Forsman
Mikkel Torsting

Executive Board

Mikkel Torsting

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 København Ø

Management's Review

Financial Statements of Warner Music Denmark A/S for 2015/16 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The Annual Report has been prepared under the same accounting policies as last year.

Main activity

The Company's purpose is to participate in production and publication of musical and literary compositions, records, tapes, audio and video cassettes, COs, DCC, MiniDisc and other phonogram, audio and video media and to participate in all activities within music and entertainment and take over both directly and indirectly controlling and minor interest in companies and groups with the same or similar purposes.

Development in the year

The income statement of the Company for 2015/16 shows a profit of TDKK 5,153 (2014/15 a profit of TDKK 14,480) and at 30 September 2016 the balance sheet of the Company shows equity of TDKK 31,517 (30 September 2015: TDKK 44,364)

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

The decrease in the net result from 2014/15 to 2015/16 was caused by a number of factors:

- (1) The continued decline of the physical market for CDs
- (2) An increase in bad debt in 2015/16.
- (3) The increased investments in staff, recording and sales related expenses such as marketing and promotion.
- (4) The fact that in 2014/15 the result was positively impacted by the one-off neighboring rights revenue relating to prior years.

On the positive side there has been an increase in Digital sales due to the growth in the market for streaming services.

Targets and expectations for the year ahead

For the year 2016/17, the management expects a positive result.

Subsequent events

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

Income Statement 1 October - 30 September

	Note	2015/16 TDKK	2014/15 TDKK
Gross profit/loss		29.711	36.870
Staff expenses	1	(17.291)	(15.288)
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		(5.640)	(5.616)
Profit before financial income and expenses		6.780	15.966
Financial income	2	62	547
Financial expenses	3	(107)	(194)
Profit before tax		6.735	16.319
Tax on profit/loss for the year	4	(1.582)	(1.839)
Net profit/loss for the year		5.153	14.480

Distribution of profit

Proposed distribution of profit

Extraordinary dividend paid	18.000	0
Retained earnings	(12.847)	14.480
	5.153	14.480

Balance Sheet 30 September

Assets

	Note	2016 TDKK	2015 TDKK
Catalogues and artist contracts		45.329	50.769
Intangible assets		45.329	50.769
Other fixtures and fittings, tools and equipment		496	393
Property, plant and equipment		496	393
Fixed assets		45.825	51.162
Trade receivables		6.543	8.266
Receivables from group enterprises		7.706	18.339
Other receivables		542	1.303
Prepayments		585	148
Receivables		15.376	28.056
Cash at bank and in hand		9.439	5.829
Currents assets		24.815	33.885
Assets		70.640	85.047

Balance Sheet 30 September

Liabilities and equity

	Note	2016 TDKK	2015 TDKK
Share capital		500	500
Retained earnings		31.017	43.864
Equity	5	31.517	44.364
Provision for deferred tax		9.727	9.694
Provisions		9.727	9.694
Trade payables		22.005	21.874
Payables to group enterprises		1.283	1.575
Corporation tax		1.579	1.601
Other payables		4.529	5.939
Short-term debt		29.396	30.989
Debt		29.396	30.989
Liabilities and equity		70.640	85.047
Contingent assets, liabilities and other financial obligations	6		
Related parties and ownership	7		

Notes to the Financial Statements

1 Staff expenses

Wages and salaries	14.605	13.368
Pensions	981	797
Other social security expenses	57	46
Other staff expenses	1.648	1.077
	<u>17.291</u>	<u>15.288</u>

2 Financial income

Interest received from group enterprises	111	455
Other financial income	(49)	92
	<u>62</u>	<u>547</u>

3 Financial expenses

Other financial expenses	107	194
	<u>107</u>	<u>194</u>

4 Tax on profit/loss for the year

Current tax for the year	1.579	1.601
Deferred tax for the year	(6)	238
Adjustment of tax concerning previous years	(29)	0
Adjustment of deferred tax concerning previous years	38	0
	<u>1.582</u>	<u>1.839</u>

Notes to the Financial Statements

5 Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 October	500	43.864	44.364
Extraordinary dividend paid	0	-18.000	-18.000
Net profit/loss for the year	0	5.153	5.153
Equity at 30 September	500	31.017	31.517

The share capital consists of 1 share of a nominal value of TDKK 500,000. No shares carry any special rights.

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

6 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Warner/Chappell Music Denmark A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on un-earned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

7 Related parties and ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Warner Holdings Denmark A/S

Accounting Policies

Basis of Preparation

The Annual Report of Warner Music Denmark A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied are consistent with those of last year.

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.

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.

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.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

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.

Income from neighbouring rights is recognized on cash basis up until 30 September as it not possible with reasonable accuracy to estimate non-received income.

License and royalty income is recognised over the term of the agreement in accordance with the contents of the agreement.

Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT

Accounting Policies

and other indirect taxes charged on behalf of third parties.

Other external expenses

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

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Staff expenses

Staff expenses comprise wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

The cost for completed development projects and acquired IP rights is amortised over the expected useful life. Acquired IP rights include Catalogues and artists contracts.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

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.

The Company is jointly taxed with Danish group entities. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Accounting Policies

Balance Sheet

Intangible assets

Acquired intangible rights include catalogues and contracts with artists.

Acquired intangible rights are measured at cost less accumulated amortisation and impairment losses.

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

The estimated useful lives for intangible assets are as follows:

Artist contracts has a useful lifetime of 10 years

Catalogues has a useful lifetime of 13 years

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	3-5	years
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Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation. If there is an 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 its 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.

If so, the asset is written down to its lower recoverable amount.

Accounting Policies

Prepayments

Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent financial reporting years.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made. Provisions are made to the lower of the net realisable value and the carrying amount.

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Corporation tax

Current tax payable and receivable is recognised in the balance sheet as the estimated tax charge in respect of the taxable income for the year, adjusted for tax on prior years' taxable income and tax paid on account.

Deferred tax assets and liabilities

Provisions for deferred tax are calculated, based on the liability method, of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income, as well as temporary differences on non-amortisable goodwill.

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.

Financial debts

Other debts are measured at net realisable value.