
Warner Music Denmark A/S

Falkoner Allé 7, 3, DK-2000 Frederiksberg

Annual Report for 1 October 2020 - 30 September 2021

CVR No 12 66 78 33

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
9 /2 2022

Mark Smith
Chairman of the General
Meeting

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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 2020 - 30 September 2021.

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 2021 of the Company and of the results of the Company operations for 2020/21.

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.

Frederiksberg, 9 February 2022

Executive Board

Mikkel Torsting

Board of Directors

Mark Richard Fry
Chairman

Mikkel Torsting

Ivar Henry Noer

Simon Kenneth Geoffrey Robson

Independent Auditor's Report

To the Shareholder of Warner Music Denmark A/S

Opinion

We have audited the Financial Statements of Warner Music Denmark A/S for the financial year 1 October 2020 - 30 September 2021, 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 30 September 2021 and of the results of the Company's operations for the financial year 1 October 2020 - 30 September 2021 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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.

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

Independent Auditor's Report

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.

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 re-

Independent Auditor's Report

quired 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, 9 February 2022

KPMG

Statsautoriseret Revisionspartnerselskab

CVR No 25 57 81 98

Martin Eiler

statsautoriseret revisor

mne32271

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

Mark Richard Fry, Chairman
Mikkel Torsting
Ivar Henry Noer
Simon Kenneth Geoffrey Robson

Executive Board

Mikkel Torsting

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 København Ø

Financial Highlights

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

	2020/21 TDKK	2019/20 TDKK	2018/19 TDKK	2017/18 TDKK	2016/17 TDKK
Key figures					
Profit/loss					
Gross profit/loss	42,875	40,764	46,903	46,281	29,725
Operating profit/loss	15,550	14,776	20,176	21,413	4,915
Profit/loss before financial income and expenses	15,536	14,598	20,176	21,413	5,704
Net financials	626	295	139	159	16
Net profit/loss for the year	12,455	11,533	15,468	16,677	4,379
Balance sheet					
Balance sheet total	106,175	95,580	97,185	93,339	66,157
Equity	52,633	40,178	28,642	37,573	25,896
Investment in property, plant and equipment	297	399	-522	-364	745
Number of employees	30	30	30	28	27
Ratios					
Return on assets	14.6 %	15.3 %	20.8 %	22.9 %	8.6 %
Solvency ratio	49.6 %	42.0 %	29.5 %	40.3 %	39.1 %
Return on equity	26.8 %	33.5 %	46.7 %	52.6 %	15.3 %

Management's Review

Main activity

The Company's primary activities are the recording, production, distribution, marketing and sales of music in various formats within Denmark and abroad via our international affiliates within the Warner Music Group.

Development in the year

The income statement of the Company for 2020/21 shows a profit of T.DKK 12,455 (2019/20 a profit of T.DKK 11,533) and at 30 September 2021 the balance sheet of the Company shows equity of T.DKK 52,633 (30 September 2020: T.DKK 40,178).

Operating risks

Management has not identified any special or unusual risks facing the Company other than those existing in the industry.

Targets and expectations for the year ahead

For the year 2021/22, the management expects a profit after tax of between DKK 10 - 14 million.

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	2020/21 TDKK	2019/20 TDKK
Gross profit/loss		42,875	40,764
Staff expenses	1	-21,610	-20,392
Depreciation and amortisation of intangible assets and property, plant and equipment		-5,729	-5,774
Profit before financial income and expenses		15,536	14,598
Financial income	2	751	515
Financial expenses		-125	-220
Profit before tax		16,162	14,893
Tax on profit/loss for the year	3	-3,707	-3,360
Net profit/loss for the year		12,455	11,533

Balance Sheet 30 September

Assets

	Note	30 / 9 - 2021 TDKK	30 / 9 - 2020 TDKK
Catalogues and artist contracts		17,961	23,366
Intangible assets	4	17,961	23,366
Other fixtures and fittings, tools and equipment		522	729
Leasehold improvements		150	0
Property, plant and equipment	5	672	729
Fixed assets		18,633	24,095
Trade receivables		16,032	15,887
Receivables from group enterprises		60,591	45,482
Other receivables		1,645	1,643
Prepayments	6	2,295	1,945
Receivables		80,563	64,957
Cash at bank and in hand		6,979	6,528
Currents assets		87,542	71,485
Assets		106,175	95,580

Balance Sheet 30 September

Liabilities and equity

	Note	30 / 9 - 2021 TDKK	30 / 9 - 2020 TDKK
Share capital	7	500	500
Retained earnings		52,133	39,678
Equity		52,633	40,178
Provision for deferred tax	9	5,188	5,903
Provisions		5,188	5,903
Corporation tax		4,395	4,934
Long-term debt	10	4,395	4,934
Trade payables		33,309	33,976
Payables to group enterprises		3,292	3,982
Corporation tax	10	313	73
Other payables		7,045	6,534
Short-term debt		43,959	44,565
Debt		48,354	49,499
Liabilities and equity		106,175	95,580
Distribution of profit	8		
Contingent assets, liabilities and other financial obligations	11		
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Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 October 2020	500	39,678	40,178
Net profit/loss for the year	0	12,455	12,455
Equity at 30 September 2021	500	52,133	52,633

Notes to the Financial Statements

	2020/21 TDKK	2019/20 TDKK
1 Staff expenses		
Wages and salaries	19,647	18,599
Pensions	1,454	1,397
Other social security expenses	247	251
Other staff expenses	262	145
	21,610	20,392
Including remuneration to the Executive Board and Board of Directors of:		
Salaries and Wages	3,120	3,781
Pension	306	361
	3,426	4,142
Average number of employees	30	30
2 Financial income		
Interest received from group enterprises	736	503
Other financial income	15	12
	751	515
3 Tax on profit/loss for the year		
Current tax for the year	4,395	4,934
Deferred tax for the year	-715	-1,533
Adjustment of tax concerning previous years	27	-41
	3,707	3,360

Notes to the Financial Statements

4 Intangible assets

	Catalogues and artist contracts TDKK
Cost at 1 October 2020	62,893
Cost at 30 September 2021	62,893
Impairment losses and amortisation at 1 October 2020	39,527
Amortisation for the year	5,405
Impairment losses and amortisation at 30 September 2021	44,932
Carrying amount at 30 September 2021	17,961

5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment TDKK	Leasehold improvements TDKK
Cost at 1 October 2020	2,214	241
Additions for the year	144	153
Disposals for the year	-360	0
Cost at 30 September 2021	1,998	394
Impairment losses and depreciation at 1 October 2020	1,485	241
Depreciation for the year	322	3
Reversal of impairment and depreciation of sold assets	-331	0
Impairment losses and depreciation at 30 September 2021	1,476	244
Carrying amount at 30 September 2021	522	150
Depreciated over	3-5 years	3 years

6 Prepayments

Prepayments consist of prepaid expenses concerning artist royalties, rent, insurance premiums and other expenses.

Notes to the Financial Statements

7 Equity

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

8 Distribution of profit

	2020/21 TDKK	2019/20 TDKK
Retained earnings	12,455	11,533
	12,455	11,533

9 Provision for deferred tax

	30 / 9 - 2021 TDKK	30 / 9 - 2020 TDKK
Provision for deferred tax at 1 October 2020	5,903	7,436
Amounts recognised in the income statement for the year	-715	-1,533
Provision for deferred tax at 30 September 2021	5,188	5,903

10 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Corporation tax

Between 1 and 5 years	4,395	4,934
Long-term part	4,395	4,934
Within 1 year	313	73
	4,708	5,007

Notes to the Financial Statements

	30 / 9 - 2021	30 / 9 - 2020
	TDKK	TDKK
11 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	1,519	1,492
Between 1 and 5 years	6,491	5,759
After 5 years	716	2,040
	8,726	9,291

Other 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.

Notes to the Financial Statements

12 Related parties

Transactions

During the year, the Company had the following transactions with its ultimate Parent Company and its subsidiaries:

Purchases of services/goods from group companies TDKK 6,114 (FY20: TDKK 5,132)

Sales of services/goods to group companies TDKK 23,248 (FY20: TDKK 24,647)

Royalties from group companies TDKK 12,456 (FY20: TDKK 9,121)

Royalties to group companies TDKK 7,079 (FY20: TDKK 7,209)

Management fee from group companies TDKK 120 (FY20: TDKK 110)

Management fee to group companies TDKK 3,973 (FY20: TDKK 3,494)

Agency Fee to group companies TDKK 269 (FY20: TDKK 254)

Financial income from group companies TDKK 736 (FY20: TDKK 503)

Consolidated Financial Statements

Name	Place of registered office
Ultimate parent - Warner Music Group Corp	1633 Broadway, New York, NY 10019, United States of America
Immediate parent - Warner Music Holdings Denmark A/S	Falkoner Allé 7, 3rd Floor, 2000 Frederiksberg, Denmark

The Group Annual Report of Ultimate parent - Warner Music Group Corp may be obtained at the following address:

<https://investors.wmg.com>

Notes to the Financial Statements

13 Accounting Policies

The Annual Report of Warner Music Denmark A/S for 2020/21 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020/21 are presented in TDKK.

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 Immediate parent - Warner Music Holdings Denmark A/S, 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.

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.

Notes to the Financial Statements

13 Accounting Policies (continued)

Income Statement

Revenue

Income from the sale of goods and finished goods was 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 when it is 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 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, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

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.

Notes to the Financial Statements

13 Accounting Policies (continued)

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

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.

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

Notes to the Financial Statements

13 Accounting Policies (continued)

expected useful lives of the assets, which are:

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

The fixed assets' residual values are determined at nil.

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.

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.

Prepayments

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

Dividend

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

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.

Notes to the Financial Statements

13 Accounting Policies (continued)

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.

Financial debts

Other debts are measured at net realisable value.

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$