
Warner Music Denmark A/S

Falkoner Alle, 7,3, DK-2000 Frederiksberg

Annual Report for 1 October 2022 - 30 September 2023

CVR No. 12 66 78 33

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 15/12 2023

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 Financial Statements of Warner Music Denmark A/S for the financial year 1 October 2022 - 30 September 2023.

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 2023 of the Company and of the results of the Company operations for 2022/23.

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

We recommend that the Financial Statements be adopted at the Annual General Meeting.

Frederiksberg, 15 December 2023

Executive Board

Mark Smith
Director

Board of Directors

Mark Richard Fry
Chairman

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 2022 - 30 September 2023, 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 2023 and of the results of the Company's operations for the financial year 1 October 2022 - 30 September 2023 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 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 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 required under the Danish Financial 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, 15 December 2023

KPMG

Statsautoriseret Revisionspartnerselskab

CVR No 25578198

Martin Eiler

State Authorised Public Accountant

mne32271

Company information

The Company	Warner Music Denmark A/S Falkoner Alle, 7,3 DK-2000 Frederiksberg CVR No: 12 66 78 33 Financial period: 1 October 2022 - 30 September 2023 Municipality of reg. office: Copenhagen
Board of Directors	Mark Richard Fry, chairman Ivar Henry Noer Simon Kenneth Geoffrey Robson
Executive Board	Mark Smith
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28 2100 København Ø

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2022/23	2021/22	2020/21	2019/20	2018/19
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	44,850	48,424	42,875	40,764	46,903
Profit/loss of ordinary primary operations	17,632	20,089	15,550	14,776	20,176
Profit/loss before financial income and expenses	17,632	20,089	15,536	14,598	20,176
Profit/loss of financial income and expenses	3,429	942	626	295	139
Net profit/loss	16,272	16,307	12,455	11,533	15,468
Balance sheet					
Balance sheet total	153,687	127,324	106,175	95,580	97,185
Investment in property, plant and equipment	893	399	297	399	-522
Equity	85,212	68,940	52,633	40,178	28,642
Number of employees	30	29	30	30	30
Ratios					
Return on assets	11.5%	15.8%	14.6%	15.3%	20.8%
Solvency ratio	55.4%	54.1%	49.6%	42.0%	29.5%
Return on equity	21.1%	26.8%	26.8%	33.5%	46.7%

Management's review

Key activities

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 2022/23 shows a profit of T.DKK 16,272 (2021/22: T.DKK 16,307) and at 30 September 2023 the balance sheet of the Company shows equity of T.DKK 85,212 (30 September 2022: T.DKK 68,940).

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 2023/24, the management expects a profit after tax of between DKK 14 - 18 million.

Subsequent events

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

Income statement 1 October 2022 - 30 September 2023

	Note	2022/23 TDKK	2021/22 TDKK
Gross profit		44,850	48,424
Staff expenses	1	-22,062	-22,639
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-5,156	-5,696
Profit/loss before financial income and expenses		17,632	20,089
Financial income	2	3,471	1,126
Financial expenses		-42	-184
Profit/loss before tax		21,061	21,031
Tax on profit/loss for the year	3	-4,789	-4,724
Net profit/loss for the year	4	16,272	16,307

Balance sheet 30 September 2023

Assets

	Note	2022/23 TDKK	2021/22 TDKK
Acquired licenses		7,723	12,556
Intangible assets	5	7,723	12,556
Other fixtures and fittings, tools and equipment		881	602
Leasehold improvements		432	178
Property, plant and equipment	6	1,313	780
Fixed assets		9,036	13,336
Trade receivables		25,098	24,503
Receivables from group enterprises		101,003	77,602
Other receivables		2,073	1,772
Prepayments	7	10,927	6,277
Receivables		139,101	110,154
Cash at bank and in hand		5,550	3,834
Current assets		144,651	113,988
Assets		153,687	127,324

Balance sheet 30 September 2023

Liabilities and equity

	Note	2022/23 TDKK	2021/22 TDKK
Share capital	8	500	500
Retained earnings		84,712	68,440
Equity		85,212	68,940
Provision for deferred tax	9	2,679	4,082
Provisions		2,679	4,082
Payables to group enterprises relating to corporation tax		6,191	5,869
Long-term debt	10	6,191	5,869
Trade payables		39,850	34,834
Payables to group enterprises		4,499	4,376
Payables to group enterprises relating to corporation tax		10,157	4,356
Other payables		5,099	4,867
Short-term debt		59,605	48,433
Debt		65,796	54,302
Liabilities and equity		153,687	127,324
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Statement of changes in equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 October	500	68,440	68,940
Net profit/loss for the year	0	16,272	16,272
Equity at 30 September	500	84,712	85,212

Notes to the Financial Statements

	2022/23 TDKK	2021/22 TDKK
1. Staff Expenses		
Wages and salaries	20,174	20,722
Pensions	1,528	1,568
Other social security expenses	258	256
Other staff expenses	102	93
	<u>22,062</u>	<u>22,639</u>
Including remuneration to the Executive Board	<u>4,485</u>	
Average number of employees	<u>30</u>	<u>29</u>

Remuneration to the board of directors is paid as part of payments to the group management for delivered services. The allocated amounts are insignificant and consequently remuneration to the Executive Board 2021/22 has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act. In FY 2022/23 the company has had two CEO's and hence the remuneration is disclosed.

	2022/23 TDKK	2021/22 TDKK
2. Financial income		
Interest received from group enterprises	3,462	1,126
Other financial income	9	0
	<u>3,471</u>	<u>1,126</u>

	2022/23 TDKK	2021/22 TDKK
3. Income tax expense		
Current tax for the year	6,191	5,869
Deferred tax for the year	-1,402	-1,106
Adjustment of tax concerning previous years	0	-39
	<u>4,789</u>	<u>4,724</u>

Notes to the Financial Statements

	2022/23 TDKK	2021/22 TDKK
4. Profit allocation		
Retained earnings	16,272	16,307
	<u>16,272</u>	<u>16,307</u>

5. Intangible fixed assets

	Acquired licenses TDKK
Cost at 1 October	62,893
Cost at 30 September	<u>62,893</u>
Impairment losses and amortisation at 1 October	50,337
Amortisation for the year	<u>4,833</u>
Impairment losses and amortisation at 30 September	<u>55,170</u>
Carrying amount at 30 September	<u>7,723</u>

6. Property, plant and equipment

	Other fixtures and fittings, tools and equipment TDKK	Leasehold improvements TDKK
Cost at 1 October	2,336	455
Additions for the year	<u>575</u>	<u>318</u>
Cost at 30 September	<u>2,911</u>	<u>773</u>
Impairment losses and depreciation at 1 October	1,734	277
Depreciation for the year	<u>296</u>	<u>64</u>
Impairment losses and depreciation at 30 September	<u>2,030</u>	<u>341</u>
Carrying amount at 30 September	<u>881</u>	<u>432</u>
Amortised over	<u>3-5 years</u>	<u>3-5 years</u>

Notes to the Financial Statements

7. Prepayments

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

8. Share capital

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

9. Provision for deferred tax

	2022/23 TDKK	2021/22 TDKK
Deferred tax liabilities at 1 October	4,082	5,188
Amounts recognised in the income statement for the year	-1,402	-1,106
Deferred tax liabilities at 30 September	2,679	4,082

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:

	2022/23 TDKK	2021/22 TDKK
Payables to group enterprises relating to corporation tax		
Between 1 and 5 years	6,191	5,869
Long-term part	6,191	5,869
Within 1 year	10,157	4,356
	16,348	10,225

11. Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

	2022/23 TDKK	2021/22 TDKK
Within 1 year	1,679	1,589
Between 1 and 5 years	4,388	5,984
	6,067	7,573

Notes to the Financial Statements

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 unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

12. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
Controlling interest	
Warner Music Holdings Denmark A/S	Share owner

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

All related-party transactions were carried out at arm's length.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

<u>Name</u>	<u>Place of registered office</u>
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 2022/23 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 2022/23 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 ultimate parent - Warner Music Group Corp., 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.

Income statement

Net sales

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.

Notes to the Financial Statements

Gross profit

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.

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 deferred tax for the year. The tax attributable to the profit for 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 fixed 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 asset 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

Notes to the Financial Statements

Leasehold improvements

3-5 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.

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.

Current tax receivables and liabilities

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

$\text{Profit before financials} \times 100 / \text{Total assets at year end}$

Solvency ratio

$\text{Equity at year end} \times 100 / \text{Total assets at year end}$

Return on equity