
Warner Music Holdings Denmark A/S

Falkoner Allé 7, 3., DK-2000 Frederiksberg

Annual Report for 1 October 2015 - 30 September 2016

CVR No 16 21 11 33

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

Mark Smith
Chairman

Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report on the Financial Statements	2
Company Information	
Company Information	4
Financial Statements	
Income Statement 1 October 2015 - 30 September 2016	5
Balance Sheet at 30 September 2016	6
Notes to the Financial Statements	8
Accounting Policies	11

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Warner Music Holdings 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's and of the results of the Company 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

Direktion

Mikkel Torsting
CEO

Bestyrelse

Per Jonas Osborne Siljemark
Chairman

Roger Denys Booker

Christopher John Ancliff

Johan Martin Forsmann

Mikkel Torsting

Independent Auditor's Report on the Financial Statements

To the Shareholder of Warner Music Holdings Denmark A/S

We have audited the Financial Statements of Warner Music Holdings 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 as to 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 opinion.

The 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.

Emphasis of Matter

The equity is negative with DKK 3.5 million per 30 September 2016. We refer to note 1 regarding Managements going concern assessment.

København, 14 December 2016

KPMG

Statsautoriseret Revisionspartnerselskab

CVR No 25 57 81 98

Martin Eiler

statsautoriseret revisor

Company Information

The Company

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

CVR No: 16 21 11 33
Financial period: 1 October - 30 September
Municipality of reg. office: Frederiksberg

Board of Directors

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

Executive Board

Mikkel Torsting

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 København Ø

Income Statement

1 October 2015 - 30 September 2016

	Note	2015/16 DKK	2014/15 DKK
Other external expenses		-67.958	-3.199
Gross profit/loss		-67.958	-3.199
Income from investments in subsidiaries		5.152.931	14.480.000
Financial expenses	3	-2.191.503	-2.774.383
Profit/loss before tax		2.893.470	11.702.418
Tax on profit/loss for the year	4	334.841	696.000
Net profit/loss for the year		3.228.311	12.398.418

Distribution of profit

Proposed distribution of profit

Retained earnings		3.228.311	12.398.418
		3.228.311	12.398.418

Balance Sheet at 30 September 2016

Assets

	Note	2016 DKK	2015 DKK
Investments in subsidiaries	5	31.516.931	44.365.000
Fixed asset investments		31.516.931	44.365.000
Fixed assets		31.516.931	44.365.000
Receivables from group enterprises		530.220	705.000
Corporation tax		509.621	0
Receivables		1.039.841	705.000
Cash at bank and in hand		495	495
Currents assets		1.040.336	705.495
Assets		32.557.267	45.070.495

Balance Sheet at 30 September 2016

Liabilities and equity

	Note	2016 DKK	2015 DKK
Share capital		500.000	500.000
Retained earnings		-4.035.740	-7.264.051
Equity	6	-3.535.740	-6.764.051
Payables to group enterprises		35.904.725	51.713.222
Long-term debt	7	35.904.725	51.713.222
Trade payables		56.500	49.999
Payables to group enterprises	7	131.782	71.325
Short-term debt		188.282	121.324
Debt		36.093.007	51.834.546
Liabilities and equity		32.557.267	45.070.495
Going concern	1		
Contingent assets, liabilities and other financial obligations	8		
Related parties and ownership	9		
Main activity	2		

Notes to the Financial Statements

1 Going concern

Management expects that equity can be restored through operations in Warner Music Denmark A/S.

In order to ensure the Company's continued operations, Warner Music Denmark has received a letter of support from the parent company stating that WGM Acquisition Corp will inject sufficient liquidity into the company thereby enabling the Company to settle its obligations as they fall due.

Until further notice, the letter of support is valid for the period 1. October 2016 - 30 September 2017. It is Managements opinion that the letter of support will be extended for such a period as it's required to ensure the Company's continued operations if considered necessary at the expiration of the letter of support.

2 Main activity

The Company's purpose is to own all shares in Warner Music Denmark A/S or in other Warner Music Group Companies and in general to safeguard Warner Music Group's interest in Denmark and to aquire directly and indirectly a controlling interest and minor interests in other entertainment businesses.

3 Financial expenses

	<u>2015/16</u> DKK	<u>2014/15</u> DKK
Interest paid to group enterprises	2.191.503	2.768.048
Other financial expenses	<u>0</u>	<u>6.335</u>
	<u>2.191.503</u>	<u>2.774.383</u>

4 Tax on profit/loss for the year

Current tax for the year	-497.081	-696.000
Adjustment of tax concerning previous years	174.780	0
Adjustment of deferred tax concerning previous years	<u>-12.540</u>	<u>0</u>
	<u>-334.841</u>	<u>-696.000</u>

Notes to the Financial Statements

5 Investments in subsidiaries

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Warner Music Denmark A/S	Frederiksberg	500.000	100%	31.516.931	5.152.931

6 Equity

	Share capital DKK	Retained earnings DKK	Total DKK
Equity at 1 October	500.000	-7.264.051	-6.764.051
Net profit/loss for the year	0	3.228.311	3.228.311
Equity at 30 September	500.000	-4.035.740	-3.535.740

The share capital consists of 10 shares of a nominal value of DKK 50,000. No shares carry any special rights.

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

7 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:

	2016 DKK	2015 DKK
Payables to group enterprises		
Between 1 and 5 years	35.904.725	51.713.222
Long-term part	35.904.725	51.713.222
Other short-term debt to group enterprises	131.782	71.325
	36.036.507	51.784.547

Notes to the Financial Statements

8 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.

9 Related parties and ownership

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:

WMG Acquisition Corp.

Consolidated Financial Statements

Consolidated Financial Statements are prepared by the parent Warner Music Group Corp.

Requisitioning of the parent's consolidated financial statements:

[Https://investors.wmg.com](https://investors.wmg.com)

Accounting Policies

Basis of Preparation

The Annual Report of Warner Music Holdings 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 these of last year.

Consolidated financial statements

With reference to section 110 of the Danish Financial Statements Act, no consolidated financial statements are prepared.

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

Other external expenses

Other external expenses include 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.

Accounting Policies

Income from investments in Group entities

The item includes the entity's proportionate share of the profit/loss for the year in subsidiaries after elimination of intra-group income or losses and net of amortisation and impairment of goodwill and other excess values at the time of acquisition.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that concern the financial year. Net financials include interest expenses as well as allowances and surcharges under the advance-payment-of-tax-scheme, etc.

Tax on profit/loss for the year

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

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Investments in Group entities

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Provisions are made to the lower of the net realisable value and the carrying amount.

Accounting Policies

Equity

Dividend

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

Corporate 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 year's 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

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the fair value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at net realisable value.