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# ***Warner Music Holdings Denmark A/S***

Falkoner Allé 7, 3., DK-2000 Frederiksberg

## **Annual Report for 1 October 2016 - 30 September 2017**

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CVR No 16 21 11 33

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
12/12 2017

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 Holdings Denmark A/S for the financial year 1 October 2016 - 30 September 2017.

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 2017 of the Company and of the results of the Company's operations for the financial year 1 October 2016 to 30 September 2017.

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

Frederiksberg, 12 December 2017

### **Executive Board**

Mikkel Torsting  
CEO

### **Board of Directors**

Per Jonas Osborne Siljemark  
Chairman

Roger Denys Booker

Christopher John Ancliff

Johan Martin Forsmann

Mikkel Torsting

# Independent Auditor's Report

To the Shareholder of Warner Music Holdings Denmark A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 September 2017 and of the results of the Company's operations for the financial year 1 October 2016 - 30 September 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Warner Music Holdings Denmark A/S for the financial year 1 October 2016 - 30 September 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

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

## Emphasis of Matter

The equity is negative with DKK 0.4 million per 30 September 2017. We refer to note 1 regarding Managements going concern assessment.

## 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 eco-

# Independent Auditor's Report

nommic 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.
- 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.

# **Independent Auditor's Report**

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.

København, 12 December 2017

**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 2016 - 30 September 2017

	Note	2016/17 DKK	2015/16 DKK
Other external expenses		-81.550	-67.958
<b>Gross profit/loss</b>		<b>-81.550</b>	<b>-67.958</b>
Income from investments in subsidiaries		4.379.000	5.152.931
Financial expenses	3	-1.563.052	-2.191.503
<b>Profit/loss before tax</b>		<b>2.734.398</b>	<b>2.893.470</b>
Tax on profit/loss for the year	4	359.326	334.841
<b>Net profit/loss for the year</b>		<b>3.093.724</b>	<b>3.228.311</b>

## Distribution of profit

### Proposed distribution of profit

Retained earnings		3.093.724	3.228.311
		<b>3.093.724</b>	<b>3.228.311</b>



## Balance Sheet at 30 September 2017

### Assets

	Note	2017	2016
		DKK	DKK
Investments in subsidiaries		25.895.931	31.516.931
<b>Fixed asset investments</b>		<b>25.895.931</b>	<b>31.516.931</b>
<b>Fixed assets</b>		<b>25.895.931</b>	<b>31.516.931</b>
Receivables from group enterprises		836.990	530.220
Corporation tax receivable from group enterprises		359.326	509.621
<b>Receivables</b>		<b>1.196.316</b>	<b>1.039.841</b>
<b>Cash at bank and in hand</b>		<b>495</b>	<b>495</b>
<b>Currents assets</b>		<b>1.196.811</b>	<b>1.040.336</b>
<b>Assets</b>		<b>27.092.742</b>	<b>32.557.267</b>

# Balance Sheet at 30 September 2017

## Liabilities and equity

	Note	2017 DKK	2016 DKK
Share capital		500.000	500.000
Retained earnings		-942.016	-4.035.740
<b>Equity</b>		<b>-442.016</b>	<b>-3.535.740</b>
Payables to group enterprises		27.467.776	35.904.725
<b>Long-term debt</b>	5	<b>27.467.776</b>	<b>35.904.725</b>
Trade payables		66.982	56.500
Payables to group enterprises	5	0	131.782
<b>Short-term debt</b>		<b>66.982</b>	<b>188.282</b>
<b>Debt</b>		<b>27.534.758</b>	<b>36.093.007</b>
<b>Liabilities and equity</b>		<b>27.092.742</b>	<b>32.557.267</b>
Going concern	1		
Key activities	2		
Contingent assets, liabilities and other financial obligations	6		
Related parties and ownership	7		
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## Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 October	500.000	-4.035.740	-3.535.740
Net profit/loss for the year	0	3.093.724	3.093.724
<b>Equity at 30 September</b>	<b>500.000</b>	<b>-942.016</b>	<b>-442.016</b>

# 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 2017 - 30 September 2018. 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 Key activities

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 acquire directly and indirectly a controlling interest and minor interests in other entertainment businesses.

## 3 Financial expenses

Interest paid to group enterprises

<u>2016/17</u>	<u>2015/16</u>
DKK	DKK
1.563.052	2.191.503
<b><u>1.563.052</u></b>	<b><u>2.191.503</u></b>

## 4 Tax on profit/loss for the year

Current tax for the year  
 Adjustment of tax concerning previous years  
 Adjustment of deferred tax concerning previous years

<u>2016/17</u>	<u>2015/16</u>
DKK	DKK
-361.812	-497.081
2.486	174.780
0	-12.540
<b><u>-359.326</u></b>	<b><u>-334.841</u></b>

## Notes to the Financial Statements

### 5 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:

#### Payables to group enterprises

Between 1 and 5 years	27.467.776	35.904.725
Long-term part	<u>27.467.776</u>	<u>35.904.725</u>
Other short-term debt to group enterprises	0	131.782
	<u>27.467.776</u>	<u>36.036.507</u>

### 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

#### 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)

# Notes to the Financial Statements

## 8 Accounting Policies

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.

# Notes to the Financial Statements

## 8 Accounting Policies (continued)

### Income from investments in subsidiaries

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 subsidiaries

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 the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

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.

# Notes to the Financial Statements

## 8 Accounting Policies (continued)

### **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.

### ***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.

### **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.