

**UNIVERSAL MUSIC A/S**

**Dronningensgade 68, 1., 1420 København K**

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**Annual report**

**2022**

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**Company reg. no. 43 32 46 16**

The annual report was submitted and approved by the general meeting on the 8 June 2023.

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**Morten Ingholt**  
Chairman of the meeting

Notes to users of the English version of this document:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points remain unchanged from Danish version of the document. This means that DKK 146.940 corresponds to the English amount of DKK 146,940, and that 23,5 % corresponds to 23.5 %.

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## **Management's statement**

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Today, the Board of Directors and the Managing Director have approved the annual report of UNIVERSAL MUSIC A/S for the financial year 2022.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the Annual General Meeting.

København K, 8 June 2023

**Managing Director**

Casper Arp Bengtson  
CEO

**Board of directors**

Casper Arp Bengtson  
Board member

Pia Dahl Egeskov Larsen  
Board member

Eddie Clas Hammaren Smith  
Nygren  
Board member

## **Independent auditor's report**

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**To the Shareholders of UNIVERSAL MUSIC A/S**

### **Opinion**

We have audited the financial statements of UNIVERSAL MUSIC A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Company. The financial statements are prepared under 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 31 December 2022, and of the results of the Company's operations for the financial year 1 January - 31 December 2022 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.

## **Independent auditor's report**

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As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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.

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.

## **Independent auditor's report**

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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, we conclude that Management's Review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of Management's Review.

Frederiksberg, 8 June 2023

**EY**

State Authorised Public Accountants  
Company reg. no. 32 28 52 01

**Martin Alsbæk**  
State Authorised Public Accountant  
mne28627

## **Company information**

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<b>The company</b>	UNIVERSAL MUSIC A/S Dronningensgade 68, 1. 1420 København K
	Company reg. no. 43 32 46 16 Financial year: 1 January - 31 December
<b>Board of directors</b>	Casper Arp Bengtson, Board member Pia Dahl Egeskov Larsen, Board member Eddie Clas Hammaren Smith Nygren, Board member
<b>Managing Director</b>	Casper Arp Bengtson, Olymposvej 49, CEO
<b>Auditors</b>	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 2000 Frederiksberg
<b>Parent company</b>	Universal International Music B.V.
<b>Subsidiary</b>	United Stage Danmark ApS, ApS, København

## Financial highlights

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DKK in thousands.	2022	2021	2020	2019	2018
<b>Income statement:</b>					
Revenue	374.589	343.698	317.609	341.304	280.967
Profit from operating activities	3.093	28.438	10.627	22.846	20.141
Net financials	179	87	-2.056	-1.562	-2.120
Net profit or loss for the year	5.779	19.841	2.545	16.804	10.426
<b>Statement of financial position:</b>					
Balance sheet total	258.099	238.247	223.420	266.182	257.192
Investments in property, plant and equipment	309	450	136	160	160
Equity	23.979	51.200	31.359	46.813	48.010
<b>Employees:</b>					
Average number of full-time employees	76	69	65	70	65
<b>Key figures in %:</b>					
Profit margin (EBIT-margin)	0,8	8,3	3,3	6,7	7,2
Return on assets	1,7	11,9	4,8	8,6	7,8
Solvency ratio	9,3	21,5	14,0	17,6	18,7
Return on equity	15,4	48,1	6,5	35,4	15,4

Calculations of key figures and ratios follow the recommendations of the Danish Association of Finance Analysts.

## **Management's review**

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### **The company's main activities**

Universal Music A/S is an operating entity within the Universal Music Group (UMG), and the main operating focus is releasing music from existing and new talents for the Danish music scene within the mainstream music genres, while also distributing the global catalogue from UMG in Denmark. The company is the market leader in Denmark.

### **Uncertainties & estimates**

In preparation of the annual report the company has prepared several estimates related to accrued broadcasting income and royalty provisions. These estimates are based on historic tendencies and relevant data that affects the balance sheet. For 2022, new information compared to historic levels has caused an increase in the royalty provision.

### **Irregular events**

There have been no irregular events.

### **Development in activities and financial matters**

The gross profit for the year totals DKK 44.6 m against DKK 69.0 m last year. Income or loss from ordinary activities after tax totals DKK 5.8 m against DKK 19.8 m last year.

Sales have increased from 343,7 m to 374,6 m, but since the negative impact from the price increase, impacts domestic sales especially, earnings have decreased from 27,1 m in 2021 to 7,0 m in 2022 as a result of the lower margins on domestic sales. While this is considered a satisfactory result, the company expects a positive development in earnings in 2023.

The overall increase in cost of living and inflation, has caused the main cost base to increase more than usual. This impacts salaries and rent especially, but other costs related to marketing, recording, manufacturing, and distribution has also increased from the overall price increase in the market.

## **Management's review**

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### **Market outlook**

The music market in Denmark is expected to continue to show growth, especially in digital sales, but also within physical sales, driven by vinyl LP sales, that have been growing for several years now. License income from broadcasting, merchandise sales and brand partnerships also have growth potential but growth in these areas is less linear in nature. For 2023 they are expected to show growth, even though long term growth is expected to be more fluctuating.

As the market leader Universal Music A/S is in a good position to contribute to the market growth, and capture the benefits of the growing digital market, by developing future talents for the growing audience.

The expected increase in earnings will be secured by the company's release plans which is expected to bring competition to the top-charts in the market, while also increasing focus on costs. Expected result after taxes for 2023 is 5 - 7 m DKK.

### **Events occurring after the end of the financial year**

There have been no material events after the balance sheet date, that impacts the numbers reported in this report.

### **Declaration of social responsibilities in accordance with Danish Financial Statements Act §99 a *Business model and engagement***

## **Management's review**

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Universal Music A/S develops new talents and help them deliver new music for all available streaming platforms in the world. The company finances recording and marketing of domestic repertoire, either as master owner, distributor or under exclusive license. The company is part of the Universal Music Group that operates globally through operating companies such as Universal Music A/S, or through regionally based offices spanning over several territories.

Universal Music A/S owns 100% of the subsidiary United Stage Danmark ApS, that operates as a booking agent for talents signed to Universal Music A/S and other labels. Combined the Danish companies employ approx. 100 employees.

Universal complies with all relevant legislation within social responsibility, including environmental, climate, human rights, social- and employee concerns and anti-corruption.

The company's own assessment of risk determines that the risk of affecting the environment, climate, human rights, social- and employee concerns and anti-corruption are limited.

Despite the low risk, the company is very focused on the potential risks related to the company's operation and social impact. There is a high priority focus on maintaining a high level of employee satisfaction, through development projects and employee care. Environmental concerns are limited to energy improvements and waste management in the local offices. The company also has a prioritized focus on the impression that the artists represented by the company may have on the market, ensuring these to be in line with the core values of the company, while leaving headroom for creativity and artistic freedom.

### **Environmental impacts Policy**

Universal Music's most significant risk regarding environment and climate is related to the emissions stemming from the office facilities' energy consumption and our travel activities

In accordance with the company's goals and concerns, the following environmental policy applies:

#### *Resource consumption*

- Consumption of consumables and energy will be reduced on a continuing basis
- Usage of environmentally harmful materials and products by the company and its suppliers are to be minimized
- Waste production is to be minimized through planning and recycling in the highest possible degree and waste management and sorting is maintained with an environmental focus

#### *Company stakeholders*

## **Management's review**

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- As a minimum, environmental legislation will be always followed
- Purchases and supplier selection must consider the environment as a high priority
- Employee responsibilities and active involvement is secured through guidance and communication

In 2022 savings on heating was implemented to reduce consumption and new kitchen appliances such as refrigerators and dish washers was acquired to minimize electricity consumption. As a result, heating and electricity consumption was reduced.

The company will pursue future environmental improvements, which will impact the environmental policy when they are implemented, as the company seeks to reduce the negative impact on the environment from daily operations.

### ***Social concerns & employee concerns***

Universal Music A/S considers the safety and wellbeing of its employees and its artists a crucial part of the ability to achieve success, making these concerns the main topics within social and employee concerns.

Universal Music recognize that the music industry is highly competitive and that the fast-paced work environment can lead to an increased risk for stress, due to the shifting work hours related to the artists live performances outside regular hours.

The company is also aware of the risks of working with talented people across different music genres, who focus mainly on their creativity and ability to perform, while often depending on partners to guide them through administrative tasks. In recognition of this responsibility, Universal Music A/S has implemented 'Financial Well Being' to be available to its artists, with the purpose of providing financial stability to artists whose careers may develop dramatically on a short term. Similarly, the company also offers its healthcare benefits to its artists, to provide health related support when needed.

Both offers are also available for employees.

The company is monitoring employee satisfaction on a yearly basis and continue to implement feedback from these surveys and educate management levels on how to perform in a manner that maintains the high degree of satisfaction.

In 2022 100% of employees completed the employee satisfaction survey and the results showed an increase in overall satisfaction and motivation.

Universal Music A/S will continue to monitor employee satisfaction and implement improvements as suggested by the surveys.

## **Management's review**

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### **Human rights**

The company supports and respects human rights, and employees are trained through mandatory global training programs at least once a year, to report any behavior that violate human rights or company code of conduct, which from a group level holds a very high priority for all employees to be well informed and trained in.

The most material risk related to human rights lie within our supply chain. We recognize that unethical behavior may present a risk, when dealing with third parties while operating in a global setting.

In 2022, no human rights violations were reported, and all employees took part in the code of conduct training that specifies how to uphold human rights and how to report potential violations.

Universal Music A/S will continue to train employees in Human rights topics and develop our focus on human rights to include an even broader perspective.

### **Anti- corruption & bribery**

The company code of conducts describes in detail how to navigate in situation where suspicion of corruption or bribery exists and how to report them via secure channels, ensuring no threat of retaliation.

Universal Music recognizes the risk of corruption in interaction between business partners in the music industry and the company upholds a zero tolerance towards any corruption or bribery attempts. There is an established approach to reporting any concerns that may relate to suspicion on corruption and bribery, to ensure that nothing is withheld in any organizational level within the group.

Employees are instructed on how to identify and react to such circumstances in the yearly code of conduct training, that will continue to be a mandatory course for all employees in the future and thereby promote guidelines and expectations regarding anti-corruption.

For 2022, there has been no reported incidents related to corruption or bribery and course completion was satisfactory.

### **Declaration of gender balance within company management in accordance with 'Section 599 b of the Danish Financial Statements Act'**

#### **Segmentation of company management positions**

The company seeks to uphold its obligation to maintain the legal requirements of having an equal representation of gender within the board. The board consists of 2 male and 1 female board members.

## **Management's review**

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### **Policies within other management levels**

The company's mid management levels counts 15 full time employed individuals that also consists of an equal representation of genders with 6 female and 9 male managers. The mid management consists of directors, team leaders and 'Head of' with reference to the board or the director level.

The other management level is calculated via head count.

The company believes that diversity besides gender, drives a successful management group to perform better and gain more insights, that can improve the company's ability to remain market leader.

Report on the company's policy on data ethics according to section 99 d of the Danish Financial Statements Act

The importance of maintaining client confidentiality is emphasized through a variety of mechanisms.

We have policies on information security, confidentiality, personal information and data privacy.

Universal Group firms have a document retention policy concerning the retention period for audit documentation and other records relevant to an engagement in accordance with the relevant IESBA requirements as well as other applicable laws, regulations and professional standards.

We provide training on confidentiality, information protection and data privacy requirements to all Universal Group personnel annually

Relevant information is shared with the public on our website regarding the legally required data policy according to section 99 d:

<https://privacy.umusic.com/dk/>

## Income statement 1 January - 31 December

All amounts in DKK.

Note	2022	2021
2 Revenue	374.588.812	343.698.289
Cost of sales	-301.817.994	-248.835.864
Other external expenses	<u>-28.184.050</u>	<u>-25.809.710</u>
<b>Gross profit</b>	<b>44.586.768</b>	<b>69.052.715</b>
3 Staff costs	-39.640.211	-37.039.403
4 Depreciation, amortisation, and impairment	-1.853.680	-3.575.565
<b>Operating profit</b>	<b>3.092.877</b>	<b>28.437.747</b>
Income from investments in subsidiaries	3.685.427	-1.400.882
Other financial income from group enterprises	651.477	128.606
Other financial income	201.799	72.456
Other financial expenses	<u>-674.217</u>	<u>-114.272</u>
<b>Pre-tax net profit or loss</b>	<b>6.957.363</b>	<b>27.123.655</b>
5 Tax on net profit or loss for the year	-1.178.101	-7.282.923
<b>Net profit or loss for the year</b>	<b>5.779.262</b>	<b>19.840.732</b>

## Balance sheet at 31 December

All amounts in DKK.

Assets	Note	2022	2021
<b>Non-current assets</b>			
7 Acquired concessions, patents, licenses, trademarks, and similar rights		9.413.609	10.674.887
8 Goodwill		0	0
Total intangible assets		<u>9.413.609</u>	<u>10.674.887</u>
9 Other fixtures, fittings, tools and equipment		305.732	416.123
10 Leasehold improvements		581.780	754.782
Total property, plant, and equipment		<u>887.512</u>	<u>1.170.905</u>
11 Investments in group enterprises		26.441.647	22.756.220
12 Deposits		1.395.821	1.258.051
Total investments		<u>27.837.468</u>	<u>24.014.271</u>
<b>Total non-current assets</b>		<b><u>38.138.589</u></b>	<b><u>35.860.063</u></b>
<b>Current assets</b>			
Goods for resale		685.839	668.762
Total inventories		<u>685.839</u>	<u>668.762</u>
Trade receivables		37.038.332	30.205.093
13 Receivables from group enterprises		114.280.771	119.027.349
14 Deferred tax assets		613.018	1.085.294
Tax receivables from group enterprises		1.882.540	435.768
Other receivables		64.452.948	49.873.566
15 Prepayments		516.088	1.090.793
Total receivables		<u>218.783.697</u>	<u>201.717.863</u>
Cash and cash equivalents		491.071	0
<b>Total current assets</b>		<b><u>219.960.607</u></b>	<b><u>202.386.625</u></b>
<b>Total assets</b>		<b><u>258.099.196</u></b>	<b><u>238.246.688</u></b>

## Balance sheet at 31 December

All amounts in DKK.

Note		2022	2021
<b>Equity and liabilities</b>			
<b>Equity</b>			
16 Contributed capital		8.000.000	8.000.000
Reserves for net revaluation as per the equity method		2.543.707	0
Results brought forward		13.435.110	10.199.555
Proposed dividend for the financial year		0	33.000.000
<b>Total equity</b>		<b>23.978.817</b>	<b>51.199.555</b>
<b>Provisions</b>			
17 Other provisions		728.915	548.475
<b>Total provisions</b>		<b>728.915</b>	<b>548.475</b>
<b>Liabilities other than provisions</b>			
Bank debts		1.829.497	622.482
Trade creditors		43.619.427	25.433.443
Payables to group enterprises		179.351.182	142.753.104
Corporate tax		664.808	8.656.470
Other payables		7.926.550	9.033.159
Total short term liabilities other than provisions		233.391.464	186.498.658
<b>Total liabilities other than provisions</b>		<b>233.391.464</b>	<b>186.498.658</b>
<b>Total equity and liabilities</b>		<b>258.099.196</b>	<b>238.246.688</b>

### 1 Accounting policies

### 18 Charges and security

### 19 Contingencies

### 20 Related parties

## **Statement of changes in equity**

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All amounts in DKK.

	<b>Contributed capital</b>	<b>Reserve for net revaluation according to the equity method</b>	<b>Retained earnings</b>	<b>Proposed dividend for the financial year</b>	<b>Total</b>
Equity 1 January 2022	8.000.000	0	10.199.555	33.000.000	51.199.555
Distributed dividend	0	0	0	-33.000.000	-33.000.000
Share of results	0	2.543.707	3.235.555	0	5.779.262
	<b>8.000.000</b>	<b>2.543.707</b>	<b>13.435.110</b>	<b>0</b>	<b>23.978.817</b>

## **Notes**

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### **1. Accounting policies**

The annual report for UNIVERSAL MUSIC A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (large enterprises).

No consolidated financial statements have been prepared pursuant to section 112 (1) of the Danish Financial Statements Act. The financial statements of UNIVERSAL MUSIC A/S and its group enterprises are included in the consolidated financial statements for Universal Music Group N.V, Netherlands, reg. no. 47427345.

Pursuant to section 86 (4) of the Danish Financial Statements Act, no statement of cash flows for the enterprise has been prepared, as the relevant information is included in the consolidated financial statements of Universal Music Group N.V.

#### **Changes in the accounting policies**

The annual report for UNIVERSAL MUSIC A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (large enterprises). For 2021 the annual report was presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C medium-sized enterprises.

Except for the above, the accounting policies remain unchanged from last year.

Comparative figures and financial highlights are not affected by the change in reporting class, and has not have been adjusted to the changed accounting policies.

#### **Foreign currency translation**

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

#### **Income statement**

##### **Revenue**

The enterprise will be applying IAS 11 and IAS 18 as its basis of interpretation for the recognition of revenue.

## **Notes**

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### **1. Accounting policies (continued)**

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Revenue is measured at the fair value of the consideration promised exclusive of VAT and taxes and less any discounts relating directly to sales.

#### **Cost of sales**

Cost of sales comprises costs concerning purchase, consumables, less discounts and changes in inventories.

#### **Other external expenses**

Other external expenses comprise expenses incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

#### **Staff costs**

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members.

#### **Depreciation, amortisation, and writedown for impairment**

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

#### **Financial income and expenses**

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

#### **Results from investments in subsidiaries**

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the investment in the individual subsidiaries are recognised in the income statement as a proportional share of the subsidiaries' post-tax profit or loss.

#### **Tax on net profit or loss for the year**

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

## Notes

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### 1. Accounting policies (continued)

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises. The company acts as an administration company in relation to the joint taxation. This means that the total Danish tax payable by the Danish consolidated companies is paid to the tax authorities by the company.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

### Statement of financial position

#### Intangible assets

##### Development projects, patents, and licences

Development costs and internally generated rights are recognised in the income statement as costs in the acquisition year.

Patents and licenses are measured at cost less accrued amortisation. Patents are amortised on a straightline basis over the remaining patent period and licenses are amortised over the contract period, however, for a maximum of 10 years.

##### Goodwill

Goodwill is measured at cost less accumulated amortisation and impairment losses.

##### Property, plant, and equipment

Other property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-5 years

## **Notes**

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### **1. Accounting policies (continued)**

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

#### **Leases**

The enterprise will be applying IAS 17 as its base of interpretation for recognition of classification and recognition of leases.

All other leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

#### **Leasehold improvements**

Leasehold improvements are measured at cost less accrued depreciations. Depreciation is done on a straightline basis over the estimated useful life of the asset, which is set at 5 years.

#### **Investments**

##### **Investments in subsidiaries**

Investments in subsidiaries are recognised and measured by applying the equity method. The equity method is used as a method of consolidation.

Investments in subsidiaries are recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

Consolidated goodwill is amortised over its estimated useful life, which is determined on the basis of the management's experience with the individual business areas. Consolidated goodwill is amortised on a straight-line basis over the amortisation period, which represent 5-20 years. The depreciation period is determined on the basis of an assessment that these are strategically acquired enterprises with a strong market position and a long-term earnings profile.

## **Notes**

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### **1. Accounting policies (continued)**

In relation to material assets and liabilities recognised in subsidiaries but are not represented in the parent, the following accounting policies have been applied.

Investments in subsidiaries with a negative equity value are measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover an negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

To the extent the equity exceeds the cost, the net revaluation of equity investments in subsidiaries transferred to the reserve under equity for net revaluation according to the equity method. Dividends from subsidiaries expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in subsidiaries.

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

On the acquisition of enterprises, the acquisition method, the uniting-of-interests method or the book value method is applied, cf. the above description under Business combinations.

#### **Deposits**

Deposits are measured at amortised cost and represent lease deposits, etc.

#### **Inventories**

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition

The net realisable value for inventories is recognised as the estimated selling price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

#### **Receivables**

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

## Notes

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### 1. Accounting policies (continued)

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

#### Prepayments

Prepayments recognised under assets comprise incurred costs concerning the following financial year.

#### Cash and cash equivalents

Cash at bank and in hand comprise bank balances.

Considering the nature of the scheme, account balances relating to the Group's cash pool scheme are not considered cash and cash equivalents, but are included in the financial statement item receivables from group entities.

#### Equity

##### Reserve for net revaluation according to the equity method

The reserve for net revaluation according to the equity method comprises net revaluation of equity investments in subsidiaries, associates and equity interests proportional to cost.

The reserve may be eliminated in the event of losses, realisation of equity investments, or changes in the accounting estimates.

The reserve cannot be recognised by a negative amount.

#### Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity.

#### Income tax and deferred tax

As administration company, UNIVERSAL MUSIC A/S is liable to the tax authorities for the subsidiaries' corporate income taxes.

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

## **Notes**

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### **1. Accounting policies (continued)**

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as "Tax receivables from group enterprises" or "Income tax payable to group enterprises"

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

#### **Provisions**

Provisions comprise expected costs of returned products. Provisions are recognised when the company has a legal or actual commitment resulting from a previously occurred event and when it is probable that the settlement of the liability will result in consumption of the financial resources of the company.

Provisions are measured at net realisable value or at fair value. If the fulfilment of a liability is expected to take place far in the future, the liability is measured at fair value.

#### **Liabilities other than provisions**

Liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

#### **Segmental statement**

Information on activity and geographical markets is provided. The segmental statement complies with the consolidated accounting policies, risks, and management control systems of the company.

## Notes

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All amounts in DKK.

	2022	2021		
<b>2. Revenue</b>				
Sales	280.472.004	256.061.891		
Royalties and licenses	<u>94.116.808</u>	<u>87.636.398</u>		
	<b><u>374.588.812</u></b>	<b><u>343.698.289</u></b>		
<b>Segmental statement</b>				
	Physical	Digital	Licenses	Total
Activities - primary segment:	22.430.687	258.769.551	93.388.574	374.588.812
	Denmark	Rest of the world	Total	
Geographical - secondary segment:	<u>350.115.902</u>	<u>24.472.910</u>	<u>374.588.812</u>	
<b>3. Staff costs</b>				
Salaries and wages	31.870.458	31.306.827		
Pension costs	2.499.658	2.114.339		
Other costs for social security	657.378	462.005		
Other staff costs	4.612.717	3.156.232		
	<b><u>39.640.211</u></b>	<b><u>37.039.403</u></b>		
Average number of employees	<u>76</u>	<u>69</u>		
By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.				
<b>4. Depreciation, amortisation, and impairment</b>				
Amortisation of concessions, patents and licences	1.261.277	1.261.277		
Amortisation of goodwill	0	1.479.153		
Depreciation on plants, operating assets, fixtures and furniture	<u>592.403</u>	<u>835.135</u>		
	<b><u>1.853.680</u></b>	<b><u>3.575.565</u></b>		

## Notes

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All amounts in DKK.

	2022	2021
<b>5. Tax on net profit or loss for the year</b>		
Tax of the results for the year, parent company	705.824	11.122.694
Adjustment for the year of deferred tax	472.277	-3.931.574
Adjustment of tax for previous years	0	91.803
	<b>1.178.101</b>	<b>7.282.923</b>
<b>6. Proposed distribution of net profit</b>		
Reserves for net revaluation according to the equity method	2.543.707	-257.287
Dividend for the financial year	0	33.000.000
Transferred to retained earnings	3.235.555	0
Allocated from retained earnings	0	-12.901.981
<b>Total allocations and transfers</b>	<b>5.779.262</b>	<b>19.840.732</b>
	<hr/> 31/12 2022	<hr/> 31/12 2021
<b>7. Acquired concessions, patents, licenses, trademarks, and similar rights</b>		
Cost 1 January 2022	23.004.424	23.004.424
<b>Cost 31 December 2022</b>	<b>23.004.424</b>	<b>23.004.424</b>
Amortisation and write-down 1 January 2022	-12.329.537	-11.068.259
Amortisation for the year	-1.261.278	-1.261.278
<b>Amortisation and write-down 31 December 2022</b>	<b>-13.590.815</b>	<b>-12.329.537</b>
<b>Carrying amount, 31 December 2022</b>	<b>9.413.609</b>	<b>10.674.887</b>

## Notes

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All amounts in DKK.

	31/12 2022	31/12 2021
<b>8. Goodwill</b>		
Cost 1 January 2022	37.845.915	37.845.915
Disposals during the year	<u>-37.845.915</u>	0
<b>Cost 31 December 2022</b>	<u>0</u>	<b>37.845.915</b>
Amortisation and write-down 1 January 2022	-37.845.915	-36.366.761
Amortisation for the year	0	-1.479.154
Reversal of depreciation, amortisation and writedown, assets disposed of	<u>37.845.915</u>	0
<b>Amortisation and write-down 31 December 2022</b>	<u>0</u>	<b>-37.845.915</b>
<b>Carrying amount, 31 December 2022</b>	<u>0</u>	0
<b>9. Other fixtures, fittings, tools and equipment</b>		
Cost 1 January 2022	1.558.775	1.195.847
Additions during the year	<u>143.835</u>	362.928
<b>Cost 31 December 2022</b>	<b>1.702.610</b>	<b>1.558.775</b>
Amortisation and write-down 1 January 2022	-1.142.652	-1.000.274
Depreciation for the year	<u>-254.226</u>	-142.378
<b>Amortisation and write-down 31 December 2022</b>	<b>-1.396.878</b>	<b>-1.142.652</b>
<b>Carrying amount, 31 December 2022</b>	<b>305.732</b>	<b>416.123</b>
<b>10. Leasehold improvements</b>		
Cost 1 January 2022	4.334.800	4.247.835
Additions during the year	<u>165.175</u>	86.965
<b>Cost 31 December 2022</b>	<b>4.499.975</b>	<b>4.334.800</b>
Depreciation and write-down 1 January 2022	-3.580.018	-2.887.260
Depreciation for the year	<u>-338.177</u>	-692.758
<b>Depreciation and write-down 31 December 2022</b>	<b>-3.918.195</b>	<b>-3.580.018</b>
<b>Carrying amount, 31 December 2022</b>	<b>581.780</b>	<b>754.782</b>

## Notes

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All amounts in DKK.

	31/12 2022	31/12 2021
<b>11. Investments in group enterprises</b>		
Acquisition sum, opening balance 1 January 2022	23.897.940	<u>23.897.940</u>
<b>Cost 31 December 2022</b>	<u>23.897.940</u>	<u>23.897.940</u>
Revaluations, opening balance 1 January 2022	-1.141.720	259.161
Results for the year before goodwill amortisation	6.500.368	1.414.060
Depreciation on group goodwill	-2.814.941	-2.814.941
<b>Revaluation 31 December 2022</b>	<u>2.543.707</u>	<u>-1.141.720</u>
<b>Carrying amount, 31 December 2022</b>	<u>26.441.647</u>	<u>22.756.220</u>
The item includes goodwill with an amount of	3.987.834	6.802.775
<b>Group enterprises:</b>		
	Domicile	Equity interest
United Stage Danmark ApS	København	100 %
<b>12. Deposits</b>		
Cost 1 January 2022	1.258.051	1.416.896
Additions during the year	137.770	0
Disposals during the year	0	-158.845
<b>Cost 31 December 2022</b>	<u>1.395.821</u>	<u>1.258.051</u>
<b>Carrying amount, 31 December 2022</b>	<u>1.395.821</u>	<u>1.258.051</u>

### 13. Receivables from group enterprises

Universal Music A/S has an agreement regarding a cash pool scheme with Universal Music Group Treasury SAS.

Universal Music A/S' account in the cash pool scheme, amount to DKK 112.343 thousand (DKK 135.705 thousand for 2021) and is recognised as a receivable from group entities.

## Notes

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All amounts in DKK.

	31/12 2022	31/12 2021
<b>14. Deferred tax assets</b>		
Deferred tax assets 1 January 2022	1.085.295	-2.846.280
Deferred tax of the results for the year	<u>-472.277</u>	<u>3.931.574</u>
	<b>613.018</b>	<b>1.085.294</b>

The following items are subject to deferred tax:

Property, plant, and equipment	355.549	353.074
Current assets	97.662	612.111
Other provisions	<u>159.807</u>	<u>120.109</u>
	<b>613.018</b>	<b>1.085.294</b>

The company has recognized a tax asset of a total of 613 thousand DKK as of December 31, 2022. The tax asset consists of unused tax deductions from deferred differences amounting to 613 thousand DKK.

Based on the budgets, the management has assessed it likely that there will be future taxable income available in which the unused tax deductions can be utilized.

### 15. Prepayments

Prepaid others	516.088	1.090.793
	<b>516.088</b>	<b>1.090.793</b>

### 16. Contributed capital

Contributed capital 1 January 2022	8.000.000	8.000.000
	<b>8.000.000</b>	<b>8.000.000</b>

The share capital consists of the following:

7.000 shares of DKK 1,000.00 each  
2.000 shares of DKK 500.00 each

### 17. Other provisions

Other provisions comprise provision for return commitments.

## **Notes**

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All amounts in DKK.

### **18. Charges and security**

The Company has not placed any assets or other items as security for loans at 31/12 2022

### **19. Contingencies**

#### **Contingent liabilities**

	31/12 2022 DKK in thousands
Rente and lease liabilities for 2022	<u>2.016</u>
<b>Total contingent liabilities</b>	<b><u>2.016</u></b>

#### **Lease liabilities**

Rent and lease liabilities include a rent obligation totalling DKK 1.684.838 in interminable rent agreements with remaining contract terms of 6 months. Furthermore, the Company has liabilities under operating leases re. IT equipment, cars etc., totalling DKK 331.598, with remaining contract terms of 6-46 months.

	DKK in thousands
Rent and lease liabilities for 2021	1.791

#### **Joint taxation**

The company acts as administration company for the group of companies subject to the Danish scheme of joint taxation and is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, to pay the total corporation tax.

The company is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for any obligations to withhold tax on interest, royalties, and dividends.

Any subsequent adjustments of corporate taxes or withholding taxes, etc., may result in changes in the company's liabilities.

## Notes

All amounts in DKK.

## **20. Related parties**

## Controlling interest

Universal Music Group N.V., Netherlands

## Majority shareholder

Transactions

The company has the following related party transactions:

	2022	2021
Sale of Danish products to foreign group	24.342.674	18.962.185
Royalty expenses	114.142.705	103.805.608
Group expenses to personnel	3.023.406	1.973.904
Interest on receivables from group enterprises	651.477	128.606
Receivables from group enterprises	114.280.771	119.027.349
Payables from group enterprises	179.351.182	142.753.106

## **Consolidated financial statements**

The company is included in the consolidated financial statements of Universal Music Group N.V.,  
s-Gravelandseweg 80, 1217EW Hilversum, Netherlands

#### Requisitioning of parent's consolidated financial statements:

<https://investors.universalmusic.com/>

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## Morten Ingholt

Dirigent

På vegne af: Universal Music A/S

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## Casper Arp Bengtson

Bestyrelse

På vegne af: Universal Music A/S

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## Eddie C H Smith Nygren

Bestyrelse

På vegne af: Universal Music A/S

Serienummer: 9578-5999-4-1559241

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## Casper Arp Bengtson

CEO

På vegne af: Universal Music A/S

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## Pia Dahl Egeskov Larsen

Bestyrelse

På vegne af: Universal Music A/S

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## Martin Alsbaek

Statsautoriseret revisor

På vegne af: EY Godkendt Revisionspartnerselskab

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