
Warner/Chappell Music Denmark A/S

Falkoner Allé 7, 3., DK-2000 Frederiksberg

Annual Report for 1 October 2015 - 30 September 2016

CVR No 59 06 93 14

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

Lars Werner Karlsson
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/Chappell Music 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 and of the results of the Company's 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

Executive Board

Lars Werner Karlsson
CEO

Board of Directors

Lars Werner Karlsson

Per Jonsson

Lars Sjelle Kromann Jensen

Independent Auditor's Report on the Financial Statements

To the Shareholder of Warner/Chappell Music Denmark A/S

We have audited the Financial Statements of Warner/Chappell Music 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 audit 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 audit 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 activities for the financial year 1 October 2015 - 30 September 2016 in accordance with the Danish Financial Statements Act.

København, 14 December 2016

KPMG

Statsautoriseret Revisionspartnerselskab

CVR No 25 57 81 98

Martin Eiler

statsautoriseret revisor

Company Information

The Company

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

CVR No: 59 06 93 14
Financial period: 1 October - 30 September
Municipality of reg. office: Frederiksberg

Board of Directors

Lars Werner Karlsson
Per Jonsson
Lars Sjelle Kromann Jensen

Executive Board

Lars Werner Karlsson

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 København Ø

Income Statement 1 October - 30 September

	Note	2015/16 DKK	2014/15 DKK
Gross profit/loss		675.003	2.163.002
Staff expenses	2	-1.166.785	-981.123
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-368.037	-351.906
Profit/loss before financial income and expenses		-859.819	829.973
Income from investments in subsidiaries		2.365.469	1.852.677
Financial income	3	658.677	705.063
Financial expenses	4	-160.409	-131.720
Profit/loss before tax		2.003.918	3.255.993
Tax on profit/loss for the year	5	131.891	488.000
Net profit/loss for the year		2.135.809	3.743.993

Distribution of profit

Proposed distribution of profit

Retained earnings	2.135.809	3.743.993
	2.135.809	3.743.993

Balance Sheet 30 September

Assets

	Note	2016 DKK	2015 DKK
Acquired licenses		722.855	1.007.262
Intangible assets		722.855	1.007.262
Other fixtures and fittings, tools and equipment		168.223	241.146
Leasehold improvements		0	10.707
Property, plant and equipment		168.223	251.853
Investments in subsidiaries	6	31.039.950	28.674.482
Fixed asset investments		31.039.950	28.674.482
Fixed assets		31.931.028	29.933.597
Trade receivables		26.765	15.000
Receivables from group enterprises		24.407.192	26.268.767
Other receivables		3.662.790	3.832.321
Deferred tax asset		13.654	398.000
Corporation tax		443.874	214.101
Receivables		28.554.275	30.728.189
Cash at bank and in hand		3.953.985	525.569
Currents assets		32.508.260	31.253.758
Assets		64.439.288	61.187.355

Balance Sheet 30 September

Liabilities and equity

	Note	2016 DKK	2015 DKK
Share capital		502.000	502.000
Retained earnings		29.386.772	27.250.963
Equity	7	29.888.772	27.752.963
Trade payables		1.167.396	1.461.347
Payables to group enterprises		33.119.810	31.478.550
Corporation tax		0	85.000
Other payables		263.310	409.495
Short-term debt		34.550.516	33.434.392
Debt		34.550.516	33.434.392
Liabilities and equity		64.439.288	61.187.355
Contingent assets, liabilities and other financial obligations	8		
Related parties and ownership	9		
Main activity	1		

Notes to the Financial Statements

1 Main activity

The Company's main activity is music publishing in Denmark, comprising both publishing agreements and agreements with primarily Danish copyright holders as well as administration of other music publishing rights.

	2015/16 DKK	2014/15 DKK
2 Staff expenses		
Wages and salaries	984.773	870.637
Other social security expenses	106.435	76.860
Other staff expenses	75.577	33.626
	1.166.785	981.123
3 Financial income		
Interest received from group enterprises	412.643	700.963
Other financial income	246.034	4.100
	658.677	705.063
4 Financial expenses		
Interest paid to group enterprises	157.647	131.720
Other financial expenses	2.762	0
	160.409	131.720
5 Tax on profit/loss for the year		
Current tax for the year	-380.787	-90.000
Deferred tax for the year	311.041	0
Adjustment of tax concerning previous years	-135.450	0
Adjustment of deferred tax concerning previous years	73.305	-398.000
	-131.891	-488.000

Notes to the Financial Statements

6 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
Megasong Publishing A/S	Frederiksberg	500.000	100%	31.039.950	2.365.469

7 Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 October	502.000	27.250.963	27.752.963
Net profit/loss for the year	0	2.135.809	2.135.809
Equity at 30 September	502.000	29.386.772	29.888.772

The share capital is broken down as follow:

	Number	Nominal value
		DKK
A-shares	5	500.000
B-shares	2	2.000
		502.000

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

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 unearned 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:

Warner/Chappell Music Scandinavia AB

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/Chappell Music 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 those 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

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, 'Revenue', 'Cost of sale', 'Other external expenses' and 'Other operating income' are consolidated into one item designated 'Gross profit'.

Revenue

Royalty income is recognised at the date when the cash is received.

Accounting Policies

Cost of sales

Cost of sales comprises direct and indirect costs incurred to generate revenue, including costs for royalty and copyright.

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.

Staff expenses

Staff expenses include 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.

Depreciation of intangible assets and property, plant and equipment

The item comprises depreciation of intangible assets and property, plant and equipment.

Intangible assets and property, plant and equipment are depreciated on a straight-line basis over the expected useful life of each individual asset. The depreciation basis is the cost plus revaluations and less expected residual value.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and 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.

Jointly taxed companies entitled to a tax refund are, as minimum, reimbursed by the management company according to the current rates applicable to interest allowances, and jointly taxed companies

Accounting Policies

having paid too little tax pay, as a maximum, a surcharge according to the current rates applicable to interest surcharges to the management company.

Royalty taxes included in royalty payments from other countries are expensed in the income statement.

Balance Sheet

Intangible assets

Intangible assets are initially measured at cost.

Subsequently, Catalogues are measured at costs less accumulated amortisation. Catalogues is amortised on a straight-line basis over the estimated useful life. The estimated useful lives are 5 years.

Gains and losses on the disposal of intangible assets are stated as the difference between the selling price less selling costs are the carrying amount on the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

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.

Gains or losses arising from the sale of items of property, plant and equipment are recognised in the income statement under 'Other operating income' or 'Other operating expenses', respectively. Gains and losses are calculated by reference to the difference between the selling price less selling expenses and the carrying amount of the time of sale.

Other fixtures and fittings, tools and equipment	3-5	years
Leasehold improvements	10	years

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 so, the asset is 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 it is 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.

Accounting Policies

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 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.

Prepayments

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

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

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.

Accounting Policies

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans 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 nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at net realisable value.