

# Sony Music Entertainment Denmark A/S

Vognmagergade 7, 6., DK-1120 København K

## Annual Report for 1 April 2024 - 31 March 2025

CVR no. 12259484

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on 9 October 2025

Søren Erik Kristensen  
Chairman of the General Meeting

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## Management statement

Today, the Board of Directors and the Executive Board have discussed and approved the Annual Report of Sony Music Entertainment Denmark A/S for the financial year 1 April 2024 - 31 March 2025.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Company financial statements give a true and fair view of the Company's financial position at 31 March 2025 and of the results of the Company's operations for the financial year 1 April 2024 - 31 March 2025.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

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

Copenhagen, 9 October 2025

Executive Board:

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Henrik Daldorph Nielsen

Board of Directors:

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Julie Greifer Swidler

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Henrik Daldorph Nielsen

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Søren Erik Kristensen

## **Independent Auditor's Report**

To the Shareholder of Sony Music Entertainment Denmark A/S

### **Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 March 2025, and of the results of the Company's operations for the financial year 1 April 2024 - 31 March 2025 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Sony Music Entertainment Denmark A/S for the financial year 1 April 2024 - 31 March 2025, 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' 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.

### **Statement on Management's Review**

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

### **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.

## Independent Auditor's Report

### Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- 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.

**Independent Auditor's Report**

Hellerup, 9 October 2025

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR no. 33771231

Allan Knudsen

**State Authorised Public Accountant**

mne29465

## **Company information**

### **Entity**

Sony Music Entertainment Denmark A/S  
Vognmagergade 7, 6.  
DK-1120 København K

Telephone number: +4532699700  
Website: [www.sonymusic.dk](http://www.sonymusic.dk)

Company CVR: 12259484

Financial year: 01-Apr - 31-Mar

Municipality of reg. office: Copenhagen

### **Board of Directors**

Julie Greifer Swidler

Henrik Daldorph Nielsen

Søren Erik Kristensen

### **Executive Board**

Henrik Daldorph Nielsen

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

### **Lawyers**

Njord Law Firm  
Pilestræde 58, 6.  
1112 København

**Company information (continued)**

**Bankers**

Danske Bank  
Holmens Kanal 2  
1090 København K

**Financial highlights**

	2024/2025	2023/2024	2022/2023	2021/2022	2020 / 2021
	DKK	DKK	DKK	DKK	DKK
Key figures					
Operating profit/loss	16.524	(6.494)	6.843	9.245	9.518
Net financials	(2.213)	(3.059)	3.882	(10.669)	5.706
Net profit/loss for the year	11.027	(6.040)	5.112	(6.281)	13.832
	DKK	DKK	DKK	DKK	DKK
Balance sheet total	166.617	175.440	193.167	165.779	161.934
Equity	23.660	12.633	18.673	11.552	17.833
Investment in property, plant and equipment	172	607	237	391	345
Average number of full-time employees	47	52	56	53	53
Financial ratios					
Return on assets	9,9%	(3,7)%	3,6%	5,7%	5,9%
Solvency ratio	14,2%	7,2%	9,7%	7,0%	11,0%

## **Management Review**

### **Key activities**

The principal activities of the Company are production and recording of Danish artists and distribution and marketing of locally and internationally recorded music.

### **Financial review**

The income statement of the Company for 2024/25 shows a profit of DKK 11.026.704 and at 31 March 2025 the balance sheet of the Company shows equity of DKK 23.659.582.

### **The past year and follow-up on development expectations from last year**

The Danish market for recorded music (calendar year 2024) resulted in an increase of 9,5% compared to the year before. This was mainly driven by a price increase on Spotify late 2023. We also see small increase in new subscribers across all digital platforms.

The result for 2024/25 has greatly exceeded Management's expectations (1-3 mio DKK after tax) which is mainly due to the price increase on Spotify but also due to a significant roster cut and less general spending. This year we also did an impairment of the investment in WAS Entertainment of DKK 1.000.000 but this was offset by a reversal of a previous impairment of Flexmusic for DKK 1.000.000. The result was also positively impacted by a general good year on music played in Danish radio. Compared to last year's expectations of a DKK 1–3 million result after tax, we significantly outperformed by delivering DKK 11 million in 2024/2025.

### **Capital resources**

Conform last year, we have now for some years seen a growing market but have moved more into a matured market. The company will continue to sign new artists but will have a much stronger focus on profitability and less on market share. We will therefore see continuing investment in new talent. We expect to keep the number of employees at the level as we see today.

The parent company, Sony Corporation, has issued a declaration, giving the company a credit limit, that will secure that the Company will be able to meet its liabilities during the financial year 2024/2025. Refer to description in note 1.

### **Risks**

#### General risks

The company has its main risk around the laws relating to intellectual property rights and payments from digital providers.

## **Management Review (continued)**

### **Outlook**

The Management expect the market for recorded music in Denmark to continue to increase during 2025/26. This is mainly driven by price increases on Spotify (expected to take place in October/November 2025). We will still see a subscriber growth but there is a change in the split between premium, family and student subscribers which will lead to a more flat revenue for the years to come. This will to that the management expectations are to achieve a result (profit before financial income and expenses) that are 2-7 mio DKK. This is primarily due to the development of the digital market and no expectations of any impairment for our investments.

We will continue to invest in signings of new and existing artists but there will be a much stronger focus on profitability and the mix of which artist we have on the roster.

### **External environment**

The company constantly works on securing the external environment and Sony Corporation has implemented strong environmental guidelines which the Company fulfills.

The Danish activities are not assessed to have a special effect on the external environment.

### **Recognition and measurement uncertainties**

Recognition and measurement of investments in subsidiaries and associates are subject to uncertainty. Refer to description in note 2.

### **Unusual matters**

The financial position at 31 March 2025 of the Company and the results of the activities of the Company for the financial year for 2024/2025 have not been affected by any unusual events.

### **Events after the balance sheet date**

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

### **Knowledge resources**

The Company has no special intellectual capital resources which has significant effect on future earnings.

## Income Statement at 1 April 2024 - 31 March 2025

	Note	2025 DKK	2024 DKK
<b>Gross Profit</b>		58.782.748	38.944.082
Staff costs	3	(37.257.145)	(41.134.438)
Amortisation, depreciation and impairment losses	4	(5.002.021)	(4.303.397)
<b>Profit/(loss) before financial income and expenses</b>		<u>16.523.582</u>	<u>(6.493.753)</u>
Share of net profit/loss in associates	5	997.000	430.000
Financial income	6	117.010	93.861
Finance expenses	7	(3.326.742)	(3.582.407)
<b>PROFIT/(LOSS) BEFORE TAX</b>		<u>14.310.850</u>	<u>(9.552.299)</u>
Income tax expense	8	(3.284.146)	3.512.050
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<u><u>11.026.704</u></u>	<u><u>(6.040.249)</u></u>

**Statement of financial position at 31 March 2025**

	<b>Note</b>	31 March 2025 DKK	31 March 2024 DKK
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	<b>9</b>		
Software		187.856	375.711
Acquired rights		13.711.472	17.263.968
		<u>13.899.328</u>	<u>17.639.679</u>
Property, plant and equipment	<b>10</b>		
Fixtures and fittings, tools and equipment		205.338	344.541
<b>Tangible assets</b>		<u>205.338</u>	<u>344.541</u>
Financial assets			
Investments in subsidiaries	11	27.822.180	27.822.180
Investments in associates	12	1.024.000	1.899.000
Deposits	13	1.605.859	1.571.174
<b>Fixed asset investment</b>		<u>30.452.039</u>	<u>31.292.354</u>
<b>Total non-current assets</b>		<u>44.556.705</u>	<u>49.276.574</u>
<b>Current assets</b>			
Receivables			
Trade receivables		77.488.100	79.331.035
Receivables from group enterprises		8.981.000	9.140.614
Receivables from associates		2.701.382	3.868.467
Other receivables		19.342.111	23.485.921
Corporation tax receivable		1.293.951	900.000
Corporation tax receivable from group enterprises		1.713.702	3.862.765
Prepayments	14	1.572.320	1.500.571
		<u>113.092.566</u>	<u>122.089.373</u>
<b>Cash</b>		8.968.041	4.073.681
<b>Total current assets</b>		<u>122.060.607</u>	<u>126.163.054</u>
<b>TOTAL ASSETS</b>		<u>166.617.312</u>	<u>175.439.628</u>

**Statement of financial position at 31 March 2025 (continued)**

	<b>Note</b>	31 March 2025 DKK	31 March 2024 DKK
<b>Equity and liabilities</b>			
Equity			
Share capital		914.000	914.000
Retained earnings		22.745.582	11.718.878
<b>Equity holders' share of equity</b>		<u>23.659.582</u>	<u>12.632.878</u>
<b>Total equity</b>		<u>23.659.582</u>	<u>12.632.878</u>
Non-current liabilities			
Provision for deferred tax	15	5.840.337	5.348.211
<b>Provisions</b>		<u>5.840.337</u>	<u>5.348.211</u>
Payables to group enterprises			
	16	0	36.000.000
<b>Long-term debt</b>		<u>0</u>	<u>36.000.000</u>
Current liabilities			
Trade payables		60.308.591	46.605.501
Payables to group enterprises	16	69.896.935	64.403.107
Other payables		6.911.867	10.449.931
<b>Total current liabilities</b>		<u>137.117.393</u>	<u>121.458.539</u>
<b>Total liabilities</b>		<u>137.117.393</u>	<u>157.458.539</u>
<b>Total equity and liabilities</b>		<u>166.617.312</u>	<u>175.439.628</u>
Going concern			
			1
Uncertainty relating to recognition and measurement			
			2
Distribution of profit			
			17
Contingent assets, liabilities and other financial obligations			
			18
Related parties			
			19
Subsequent events			
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Accounting Policies			
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**Statement of changes in equity**

	Share capital DKK	Retained earnings DKK	Total DKK
Equity at 1 April 2024	914.000	11.718.878	12.632.878
Net profit/loss for the year	0	11.026.704	11.026.704
<b>Equity at 31 March 2025</b>	<b>914.000</b>	<b>22.745.582</b>	<b>23.659.582</b>

**Notes to the financial statements****1. Going concern**

At 31 March 2025 the Company has short term debt which exceeds its current assets. The Parent Company, Sony Corporation, has issued a declaration, giving the company a credit limit, that will secure that the company will be able to meet its liabilities during the financial year 2025/26. Based on the received credit limit, the management has prepared the financial statements on a going concern basis.

**2. Uncertainty relating to recognition and measurement**

The Company's measurement of investments in subsidiaries and associates contains significant accounting estimates relating to the future cash flows of the entities. The actual cash flows are likely to be different from those estimated and can lead to material positive or negative impacts on the Financial Statements in regards to the booked value of the investment. It is Management's assessment that the measurement of the investments in the Financial Statements for the financial year 2024/25 reflects the current expectations to future cash flows from the investments.

**3. Staff costs**

	31 March 2025 DKK	31 March 2024 DKK
Wages and salaries	32.578.869	36.582.255
Pensions	2.509.028	2.671.687
Other social security expenses	426.998	309.406
Other staff expenses	1.742.251	1.571.090
	<u>37.257.146</u>	<u>41.134.438</u>
Average number of full-time employees	<u>47</u>	<u>52</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

The Board of Directors are not remunerated for their function as Board of Directors.

**Notes to the financial statements (continued)****4. Amortisation, depreciation and impairment losses**

	31 March 2025 DKK	31 March 2024 DKK
Amortisation, depreciation and impairment losses		
Amortisation of intangible assets	4.690.352	3.942.352
Depreciation of property, plant and equipment	311.669	361.046
	<u>5.002.021</u>	<u>4.303.398</u>

**5. Profit/loss from associates**

	2025 DKK	2024 DKK
Dividend	1.920.000	1.680.000
Impairment	(923.000)	(1.250.000)
	<u>997.000</u>	<u>430.000</u>

**6. Financial income**

	31 March 2025 DKK	31 March 2024 DKK
Other financial income	117.010	93.861
	<u>117.010</u>	<u>93.861</u>

**7. Financial expenses**

	31 March 2025 DKK	31 March 2024 DKK
Interest paid to group enterprises	2.702.719	3.256.844
Foreign exchange losses	624.023	315.840
Other financial expenses	0	9.723
	<u>3.326.742</u>	<u>3.582.407</u>

**Notes to the financial statements (continued)****8. Tax on profit/loss for the year**

	31 March 2025 DKK	31 March 2024 DKK
Tax for the year		
Current tax for the year	2.738.249	(1.270.653)
Deferred tax for the year	492.126	(835.421)
Adjustment of tax concerning previous years	53.771	(1.405.976)
	<u>3.284.146</u>	<u>(3.512.050)</u>

**9. Intangible assets**

	Software DKK	Acquired Rights DKK
Cost at 1 April	1.502.845	31.894.960
Additions	0	950.000
Cost at 31 March	<u>1.502.845</u>	<u>32.844.960</u>
Amortisation at 1 April	1.127.134	14.630.992
Amortisation for the year	187.855	4.502.496
Amortisation and impairment losses at 31 March	<u>1.314.989</u>	<u>19.133.488</u>
Carrying amount at 31 March	187.856	13.711.472
Amortised over	3-10 years	3-10 years

**10. Property, plant and equipment**

	Fixtures and fittings, plant and equipment DKK
Impairment losses and depreciation at 1 April	5.684.304
Depreciation for the year	311.669
Depreciation and impairment losses at 31 March	<u>5.995.973</u>

**Notes to the financial statements (continued)****10. Property, plant and equipment (continued)**

	Fixtures and fittings, plant and equipment DKK
Cost at 1 April	6.028.845
Additions for the year	172.466
Cost at 31 March	<u>6.201.311</u>
<b>Carrying amount at 31 March 2025</b>	<b>205.338</b>

Depreciated over 3 Years

**11. Investments in subsidiaries**

	31 March 2025 DKK	31 March 2024 DKK
Cost at 1 April	74.461.000	74.461.000
<b>Cost at 31 March</b>	<u>74.461.000</u>	<u>74.461.000</u>
Revaluations at 1 April	(46.638.820)	(46.638.820)
<b>Revaluations at 31 March</b>	<u>(46.638.820)</u>	<u>(46.638.820)</u>
<b>Carrying amount at 31 March</b>	<u>27.822.180</u>	<u>27.822.180</u>

Investments in subsidiaries are specified as follows:

<u>Name</u>	<u>Place of registered office</u>	<u>Share capital</u>	<u>Votes and ownership</u>	<u>Equity</u>	<u>Net profit/loss for the year</u>
Discowax ApS	Denmark	126.000	100%	6.444.580	2.096.298

**Notes to the financial statements (continued)****12. Investments in associates**

	31 March 2025 DKK	31 March 2024 DKK
Cost at 1 April	8.157.000	8.157.000
Additions for the year	48.000	0
<b>Cost at 31 March</b>	<b>8.205.000</b>	<b>8.157.000</b>
Revaluations at 1 April	(6.258.000)	(5.008.000)
Impairment Loss	(1.923.000)	(1.250.000)
Reversal of impairment	1.000.000	0
<b>Revaluations at 31 March</b>	<b>(7.181.000)</b>	<b>(6.258.000)</b>
<b>Carrying amount at 31 March</b>	<b>1.024.000</b>	<b>1.899.000</b>

**Investments in associates  
are specified as follows:**

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Flexmusic ApS	Denmark	100.000	49%	(1.091.525)	394.433
One Seven Music ApS	Denmark	50.000	48%	3.575.044	250.029
The Label Sunday ApS	Denmark	40.000	20%	(1.834.894)	(1.071.344)
W.A.S. Entertainment ApS	Denmark	52.631	25%	(1.785.132)	(1.550.633)
OneRights Holding ApS	Denmark	40.000	49%	53.209	(89.151)

All associates are recognised and measured as separate entities. The information of Equity and Net profit/loss for the year for the entities are based on the published Annual Report for 2024. For Flexmusic ApS the figures are based on the Annual Report for 2024/25 ending 31 March 2025

**Notes to the financial statements (continued)****13. Other fixed asset investment**

	31 March 2025 DKK	31 March 2024 DKK
Cost at 1 April	1.571.174	1.550.910
Additions for the year	34.685	20.264
<b>Cost at 31 March</b>	<b>1.605.859</b>	<b>1.571.174</b>
<b>Carrying amount at 31 March</b>	<b>1.605.859</b>	<b>1.571.174</b>

**14. Prepayments**

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

**15. Provision for deferred tax**

	31 March 2025 DKK	31 March 2024 DKK
Provision for deferred tax at 1 April	5.348.211	6.183.632
Amounts recognised in the income statement for the year	492.126	(835.421)
Provision for deferred tax at 31 March	<b>5.840.337</b>	<b>5.348.211</b>

**16. 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:

	31 March 2025 DKK	31 March 2024 DKK
Payables to group enterprises		
Between 1 and 5 years	0	36.000.000
Long-term part	<b>0</b>	<b>36.000.000</b>
Other short-term debt to group enterprises	69.896.935	64.403.107
	<b>69.896.935</b>	<b>100.403.107</b>

**Notes to the financial statements (continued)****17. Appropriation of profit/loss**

	31 March 2025 DKK	31 March 2024 DKK
Retained earnings	11.026.704	(6.040.249)
	<u>11.026.704</u>	<u>(6.040.249)</u>

**18. Contingent assets, liabilities and other financial obligations****18.1 Rental and lease obligations**

The Company has entered into a rental contract. The obligation in the non-notice period amounts to TDKK 5,513 as of 31. March 2025 (2024: TDKK 5,489)

**18.2 Other contingent liabilities**

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. 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.

**19. Related parties****19.1 Parties exercising control**

	<b>Basis</b>
Controlling interest Sony Music Entertainment International Ltd.	Parent Company

**19.2 Related party transactions**

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

Transactions with related parties has been made on an arm's length basis.

**19.3 Consolidated Financial Statements**

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

**Notes to the financial statements (continued)****19. Related parties (continued)**

<b>Name</b>	<b>Place of registered office</b>
Sony Group Corporation	Tokyo, Japan

The Group Annual Report can be obtained at the following address:

Sony Group Corporation  
7-1, Konan 1-chome, Minato-ku  
Tokyo  
108-0075  
Japan

**20. Events after the balance sheet date**

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

**21. Accounting policies**

The annual report of Sony Music Entertainment Denmark A/S for 2024/2025 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

The Financial Statements for 2024/25 are presented in(DKK).

**21.1 Consolidated Financial statements**

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Sony Group Corporation, the Company has not prepared consolidated financial statements.

**21.2 Cash flow statement**

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Sony Group Corporation, the Company has not prepared a cash flow statement.

**21.3 Recognition and measurement**

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

**Notes to the financial statements (continued)****21. Accounting policies (continued)**

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.

**21.4 Financial statements****Business combinations****Pooling of interests**

Intragroup business combinations are accounted for under the pooling-of-interests method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognized directly in equity. The pooling-of-interests method is applied as if the two enterprises had always been combined by restating comparative figures, however not restating comparative figures earlier than the time where the two enterprises were under joint control.

**Leases**

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

**Translation policies**

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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.

## **Notes to the financial statements (continued)**

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

#### **21.5 Income statement**

##### **(a) Revenue**

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before year end
- a binding sales agreement has been made
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Royalty income is recognised when the underlying transactions is carried through.

##### **(b) Cost of sales**

Cost of sales incl. royalty and copyright comprise the raw materials and consumables consumed to achieve revenue for the year.

##### **(c) Other external expenses**

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

##### **(d) Gross margin**

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, cost of sales incl. royalty and copyright and other external expenses.

##### **(e) Staff costs**

Staff expenses comprise wages and salaries as well as payroll expenses.

##### **(f) Amortisation, depreciation and impairment losses**

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

**Notes to the financial statements (continued)****21. Accounting policies (continued)****(g) Other operating income and expenses**

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

**(h) Income from investments in subsidiaries and associates**

Dividends from subsidiaries and associates are recognised as income in the income statement when adopted at the General Meeting of the companies. However, dividends relating to earnings in the companies before they were acquired by the Parent Company are set off against the cost of the companies.

**(i) Financial income and expenses**

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on account taxation scheme.

**(j) Tax for the year**

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

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with Danish Group Companies. The tax effect of the joint taxation with the subsidiaries is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

**21.6 Balance sheet****(a) Intangible assets**

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5 years.

Acquired rights are measured at the lower of cost less accumulated amortisation and recoverable amount. Acquired rights are amortised on a straight line basis over 3 to 10 years.

**(b) Property, plant and equipment**

Tangible assets 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.

**Notes to the financial statements (continued)****21. Accounting policies (continued)****(b) Property, plant and equipment (continued)**

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3 years
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The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

**(c) Impairment of 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, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Goodwill for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

**(d) Investments in subsidiaries, associates and participating interests**

Investments in subsidiaries and associates are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

**(e) Other securities and investments**

Other fixed asset investment consist of deposits.

**(f) Receivables**

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

**(g) Prepayments**

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

**Notes to the financial statements (continued)****21. Accounting policies (continued)****(h) Corporation tax and deferred tax**

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

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. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured 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.

Deferred tax assets and liabilities are offset within the same legal tax entity.

**(i) Current tax receivables and liabilities**

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

**(j) Financial Debts**

Debts are measured at amortised cost, substantially corresponding to nominal value.

**(k) Deferred income**

Deferred income comprises payments received in respect of income in subsequent years.

**(l) Financial Highlights****Explanation of financial ratios**

Return on assets

$$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$$

Solvency ratio

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