

**Nordisk Copyright Bureau
(ncb)**
Lautrupsgade 9
2100 København Ø
Business Registration No
22133314

Annual report 2017

The Annual General Meeting adopted the annual report on 25.05.2018

Chairman of the General Meeting



Name: Karsten Dyhrberg Nielsen

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Entity details

Entity

Nordisk Copyright Bureau (ncb)
Lautrupsgade 9
2100 København Ø

Central Business Registration No (CVR): 22133314

Registered in: København

Financial year: 01.01.2017 - 31.12.2017

Board of Directors

Katri Sipilä, Chairman (TEOSTO)
Cato Strøm, , Vice-chairman (TONO)
Gudrun Björk Bjarnadóttir, (STEF)
Anders Lassen, (Koda)
Karsten Dyhrberg Nielsen, (STIM)

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Board of Directors have today considered and approved the annual report of Nordisk Copyright Bureau (ncb) for the financial year 01.01.2017 - 31.12.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

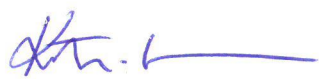
In our opinion, the financial statements give a true and fair view of the Society's financial position at 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 25.05.2018

Board of Directors



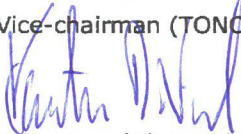
Katri Sipilä
Chairman (TEOSTO)



Anders Lassen
(Koda)



Cato Strøm,
Vice-chairman (TONO)



Karsten Dyhrberg Nielsen
(STIM)



Gudrun Björk Bjarnadóttir
(STEF)

Independent auditor's report

To the owners of Nordisk Copyright Bureau (ncb)

Opinion

We have audited the financial statements of Nordisk Copyright Bureau (ncb) for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Societys's financial position at 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Society in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Society's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Society 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.

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:

Independent auditor's report

- 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 Society'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 Society'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 Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.


Independent auditor's report


Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 25.05.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR)
33963556


Bjørn Winkler Jakobsen
State Authorised Public Accountant
Identification No (MNE) mne32127


Henrik Hartmann Olesen
State Authorised Public Accountant
Identification No (MNE) mne34143

Management commentary

Primary activities

NCB - Nordisk Copyright Bureau - is a Nordic society that in collaboration with affiliated societies all over the world manages the recording and copying rights in music on CD, DVD, film, video, the internet etc. for composers, lyricists and music publishers. NCB's head office is in Copenhagen and NCB's territory of administration covers all Nordic and Baltic countries.

NCB's owner societies are Koda in Denmark, STEF in Iceland, Stim in Sweden, Teosto in Finland and TONO in Norway. NCB has cooperation agreements with EAÜ (Estonia), AKKA/LAA (Latvia) and LATGA-A (Lithuania).

NCB's Board of Directors consists of five members. Koda, Stim, Teosto and TONO and STEF appoint one member each.

NCB's audit is undertaken by a state authorised public accountant. In addition, Koda, Stim, Teosto and TONO all appoint a rights holder representative to NCB's Audit Committee which convenes once a year.

NCB holds 50% of the shares in NMP – Network of Music Partners A/S – that is a joint venture company owned by NCB and PRS for Music in the U.K. NMP provide back office services to the music copyright administration industry.

Development in activities and finances

The financial result of the Society is a profit of DKK 1,080k which is considered satisfactory.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2017

| | <u>Notes</u> | <u>2017</u> <u>DKK'000</u> | <u>2016</u> <u>DKK'000</u> |
|--|--------------|-------------------------------|-------------------------------|
| Revenue | | 22.514 | 34.069 |
| Other operating income | | 904 | 1.025 |
| Other external expenses | | <u>(20.995)</u> | <u>(33.452)</u> |
| Gross profit/loss | | 2.423 | 1.642 |
| Staff costs | 1 | (3.072) | (13.867) |
| Depreciation, amortisation and impairment losses | | <u>(172)</u> | <u>(292)</u> |
| Operating profit/loss | | (821) | (12.517) |
| Income from investments in associates | | 2.122 | 2.267 |
| Other financial income | 2 | 3.019 | 5.534 |
| Other financial expenses | 3 | <u>(3.236)</u> | <u>(1.170)</u> |
| Profit/loss before tax | | 1.084 | (5.886) |
| Tax on profit/loss for the year | | <u>(4)</u> | <u>(2)</u> |
| Profit/loss for the year | | 1.080 | (5.888) |
| Proposed distribution of profit/loss | | | |
| Retained earnings | | <u>1.080</u> | <u>(5.888)</u> |
| | | 1.080 | (5.888) |

Balance sheet at 31.12.2017

| | <u>Notes</u> | <u>2017 DKK'000</u> | <u>2016 DKK'000</u> |
|--|--------------|-------------------------|-------------------------|
| Completed development projects | | 0 | 0 |
| Acquired licences | | 216 | 281 |
| Intangible assets | 4 | 216 | 281 |
| Other fixtures and fittings, tools and equipment | | 0 | 576 |
| Property, plant and equipment | 5 | 0 | 576 |
| Investments in associates | | 22.697 | 25.575 |
| Deposits | | 1 | 251 |
| Fixed asset investments | 6 | 22.698 | 25.826 |
| Fixed assets | | 22.914 | 26.683 |
| Trade receivables | | 10.400 | 9.853 |
| Receivables from associates | | 1.807 | 0 |
| Other receivables | | 2.111 | 2.822 |
| Receivables | | 14.318 | 12.675 |
| Other investments | 7 | 224.581 | 294.679 |
| Other investments | | 224.581 | 294.679 |
| Cash | | 95.293 | 111.678 |
| Current assets | | 334.192 | 419.032 |
| Assets | | 357.106 | 445.715 |

Balance sheet at 31.12.2017

| | <u>Notes</u> | <u>2017 DKK'000</u> | <u>2016 DKK'000</u> |
|--|--------------|-------------------------|-------------------------|
| Retained earnings | | 37.354 | 36.274 |
| Equity | | 37.354 | 36.274 |
| Prepayments received from customers | | 100.712 | 142.123 |
| Trade payables | | 6.430 | 1.924 |
| Payables to associates | | 0 | 2.253 |
| Other payables | | 20.248 | 37.551 |
| Deferred income | 8 | 192.362 | 225.590 |
| Current liabilities other than provisions | | 319.752 | 409.441 |
| Liabilities other than provisions | | 319.752 | 409.441 |
| Equity and liabilities | | 357.106 | 445.715 |
| Contingent liabilities | 10 | | |
| Related parties with controlling interest | 11 | | |

Statement of changes in equity for 2017

| | Retained earnings DKK'000 |
|---------------------------|--|
| Equity beginning of year | 36.274 |
| Profit/loss for the year | <u>1.080</u> |
| Equity end of year | <u>37.354</u> |

Cash flow statement for 2017

| | Notes | 2017 DKK'000 | 2016 DKK'000 |
|--|--------------|-------------------------|-------------------------|
| Operating profit/loss | | (821) | (12.517) |
| Amortisation, depreciation and impairment losses | | 172 | 292 |
| Working capital changes | 9 | (90.617) | (24.679) |
| Cash flow from ordinary operating activities | | (91.266) | (36.904) |
| Financial income received | | 3.019 | 4.310 |
| Financial income paid | | (3.236) | 54 |
| Cash flows from operating activities | | (91.483) | (32.540) |
| Acquisition of fixed asset investments | | 0 | (496) |
| Dividends received from associates | | 5.000 | 3.000 |
| Cash flows from investing activities | | 5.000 | 2.504 |
| Increase/decrease in cash and cash equivalents | | (86.483) | (30.036) |
| Cash and cash equivalents beginning of year | | 406.357 | 436.393 |
| Cash and cash equivalents end of year | | 319.874 | 406.357 |
| Cash and cash equivalents at year-end are composed of: | | | |
| Cash | | 95.293 | 111.678 |
| Securities | | 224.581 | 294.679 |
| Cash and cash equivalents end of year | | 319.874 | 406.357 |

Notes

| | 2017 | 2016 |
|---------------------------------|----------------|----------------|
| | DKK'000 | DKK'000 |
| 1. Staff costs | | |
| Wages and salaries | 2.838 | 12.994 |
| Other staff costs | 234 | 873 |
| | 3.072 | 13.867 |
| Average number of employees | 0 | 22 |

| | 2017 | 2016 |
|----------------------------------|----------------|----------------|
| | DKK'000 | DKK'000 |
| 2. Other financial income | | |
| Other interest income | 2.931 | 4.266 |
| Fair value adjustments | 88 | 1.268 |
| | 3.019 | 5.534 |

| | 2017 | 2016 |
|------------------------------------|----------------|----------------|
| | DKK'000 | DKK'000 |
| 3. Other financial expenses | | |
| Exchange rate adjustments | 731 | 1.170 |
| Fair value adjustments | 2.505 | 0 |
| | 3.236 | 1.170 |

Notes

| | Completed develop- ment projects DKK'000 | Acquired licences DKK'000 |
|---|--|---|
| 4. Intangible assets | | |
| Cost beginning of year | 178 | 345 |
| Disposals | (178) | 0 |
| Cost end of year | 0 | 345 |
| Amortisation and impairment losses beginning of year | (178) | 0 |
| Impairment losses for the year | 0 | (14) |
| Reversal of impairment losses | 178 | 0 |
| Amortisation for the year | 0 | (115) |
| Amortisation and impairment losses end of year | 0 | (129) |
| Carrying amount end of year | 0 | 216 |
| | | Other fixtures and fittings, tools and equipment DKK'000 |
| 5. Property, plant and equipment | | |
| Cost beginning of year | | 8.047 |
| Disposals | | (8.047) |
| Cost end of year | | 0 |
| Depreciation and impairment losses beginning of year | | (7.471) |
| Depreciation for the year | | (576) |
| Reversal regarding disposals | | 8.047 |
| Depreciation and impairment losses end of year | | 0 |
| Carrying amount end of year | | 0 |

Notes

| | Investment s in associates DKK'000 | Deposits DKK'000 |
|--------------------------------------|---|---------------------|
| 6. Fixed asset investments | | |
| Cost beginning of year | 31.207 | 252 |
| Disposals | 0 | (251) |
| Cost end of year | 31.207 | 1 |
| Impairment losses beginning of year | (5.632) | 0 |
| Share of profit/loss for the year | 1.636 | 0 |
| Adjustment of intra-group profits | 486 | 0 |
| Dividend | (5.000) | 0 |
| Impairment losses end of year | (8.510) | 0 |
| Carrying amount end of year | 22.697 | 1 |

7. Other investments

Other investments comprises investments in bonds in different currencies which includes a market value risk and a currency risk.

8. Deferred income

Deferred income consist of:

Unallocatable royalties, net of DKK 142.431k

Prepayments from producers DKK 49.931k

Total of DKK 192.362k

| | 2017 DKK'000 | 2016 DKK'000 |
|---|-----------------|-----------------|
| 9. Change in working capital | | |
| Increase/decrease in receivables | (928) | (7.147) |
| Increase/decrease in trade payables etc | (89.689) | (17.532) |
| | (90.617) | (24.679) |

10. Contingent liabilities

There are no contingent liabilities.

11. Related parties with controlling interest

In accordance with the service level agreement between NMP A/S and NCB the Society has been invoiced an amount of DKK 11.623 k. The amount has been recognized in other external expenses.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year, except for adjustments concerning classification without effect on result and equity.

Presentation of income statement and balance sheet as well as description of items and notes has been restated to reflect NCB's special activity as a Society administering copyrights.

Income statement

Revenue

Commission income is calculated on the basis of royalties received and is booked as income in connection with distribution to rights holders

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Society's primary activities.

Other external expenses

Other external expenses include expenses relating to the Society's ordinary activities, including expenses to distribution of royalties to rights holders and related systems, sale, marketing, administration, premises, bad debts etc.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for Society's staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as equipment.

Income from investments in associates

Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after elimination of intra-group profits or losses.

Other financial income

Other financial income comprises interest income, including net capital or exchange gains on securities, payables and transactions in foreign currencies.

Accounting policies

Other financial expenses

Other financial expenses comprise interest expenses, including net capital or exchange losses on securities, payables and transactions in foreign currencies.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets. Acquired licenses consist of Software licenses.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

| | |
|--|-----------|
| IT | 3-4 years |
| Other fixtures and fittings, tools and equipment | 3-5 years |

Accounting policies

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in associates

Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value and plus or minus unrealised pro rata intra-group profits and losses.

The Society's share of the enterprises' profit or losses after elimination of intra-group profits and losses.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in associates are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts. Receivables mainly consists of receivables from producers.

Other investments

Other current asset investments comprise listed securities (bonds) measured at fair value (market price) at the balance sheet date.

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers

Prepayments received from customers comprise online collections on behalf of owner Societies.

Deferred income

Deferred income includes prepayments from producers and unallocatable royalties.

Deferred income comprises unallocatable royalties result from the receipt of royalties for which no recording documentation is received that permits individual distribution or for which it has not been possible to distribute to rights holders after 10 distribution periods (4-years).

A proportion of unallocatable royalties older than 10 distribution periods is distributed to the rights holdes and to non-Nordic sister Societies based on a specific distribution model.

Accounting policies

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as repayments of interest-bearing debt and purchase of treasury shares.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.