

**Nordisk Copyright Bureau
(ncb)**

Lautrupsgade 9
2100 København Ø
Business Registration No
22133314

Annual report 2019

The Annual General Meeting adopted the annual report on 17.06.2020

Chairman of the General Meeting


Name: Gudrun Björk Bjarnadóttir

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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: 01.01.2019 - 31.12.2019

Board of Directors

Karsten Dyhrberg Nielsen, Chairman (STIM)

Gudrun Björk Bjarnadóttir, Vice-chairman (STEF)

Gorm Arildsen, (Koda)

Cato Strøm, (TONO)

Risto Salminen, (TEOSTO)

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 01.01.2019 - 31.12.2019.

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

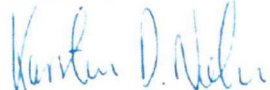
In our opinion, the financial statements give a true and fair view of the Society's financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

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, 23.03.2020

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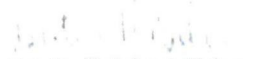
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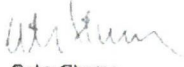
Copenhagen, 23.03.2020

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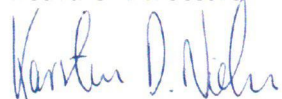
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(TEOSTO)

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 01.01.2019 - 31.12.2019, 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 Society's financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019 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.

Independent auditor's report

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 Societys'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.

Independent auditor's report

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

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.

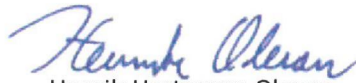
Copenhagen, 23.03.2020

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 member 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 4.667k which is considered satisfactory.

Events after the balance sheet date

In the short run, the outbreak and spread of COVID-19 at the beginning of 2020 have not had and are not expected to have a material impact on the Society's financial position and development, as the Society's income depends on the distribution of royalties, including collections related to prior years and periods. However, the Corona virus will have an impact on the collections in 2020, which, in the long run, will have an impact on the distributions in 2020/21. The impact from the development in currencies is expected to be low, as NCB collects in local currency and distributes in local currency which mitigates the risk of fair value adjustments.

Apart from the above, no events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2019

| | <u>Notes</u> | <u>2019</u> <u>DKK'000</u> | <u>2018</u> <u>DKK'000</u> |
|--|--------------|-------------------------------|-------------------------------|
| Revenue | | 28.111 | 20.269 |
| Other operating income | | 551 | 752 |
| Other external expenses | | <u>(22.517)</u> | <u>(20.539)</u> |
| Gross profit/loss | | 6.145 | 482 |
| Staff costs | 1 | (66) | (134) |
| Depreciation, amortisation and impairment losses | | <u>(101)</u> | <u>(115)</u> |
| Operating profit/loss | | 5.978 | 233 |
| Income from investments in associates | | 776 | 2.153 |
| Other financial income | 2 | 695 | 3.512 |
| Other financial expenses | 3 | <u>(2.782)</u> | <u>(5.067)</u> |
| Profit/loss for the year | | <u>4.667</u> | <u>831</u> |
| Proposed distribution of profit/loss | | | |
| Retained earnings | | <u>4.667</u> | <u>831</u> |
| | | <u>4.667</u> | <u>831</u> |

Balance sheet at 31.12.2019

| | Notes | 2019 DKK'000 | 2018 DKK'000 |
|--------------------------------|--------------|-------------------------|-------------------------|
| Acquired licences | | 0 | 101 |
| Intangible assets | 4 | 0 | 101 |
| Investments in associates | | 13.626 | 19.850 |
| Fixed asset investments | 5 | 13.626 | 19.850 |
| Fixed assets | | 13.626 | 19.951 |
| Trade receivables | | 6.335 | 5.470 |
| Receivables from associates | | 369 | 1.813 |
| Other receivables | | 5.059 | 11.553 |
| Prepayments | | 163 | 176 |
| Receivables | | 11.926 | 19.012 |
| Other investments | 6 | 287 | 172.367 |
| Other investments | | 287 | 172.367 |
| Cash | | 200.259 | 80.830 |
| Current assets | | 212.472 | 272.209 |
| Assets | | 226.098 | 292.160 |

Balance sheet at 31.12.2019

| | <u>Notes</u> | <u>2019 DKK'000</u> | <u>2018 DKK'000</u> |
|--|--------------|-------------------------|-------------------------|
| Retained earnings | | 42.852 | 38.185 |
| Equity | | 42.852 | 38.185 |
| Prepayments received from customers | | 12.325 | 14.512 |
| Trade payables | | 2.093 | 2.023 |
| Other payables | | 10.637 | 12.312 |
| Deferred income | 7 | 158.191 | 225.128 |
| Current liabilities other than provisions | | 183.246 | 253.975 |
| Liabilities other than provisions | | 183.246 | 253.975 |
| Equity and liabilities | | 226.098 | 292.160 |
| Contingent liabilities | 9 | | |
| Related parties with controlling interest | 10 | | |

Statement of changes in equity for 2019

| | Retained earnings DKK'000 |
|---------------------------|--|
| Equity beginning of year | 38.185 |
| Profit/loss for the year | <u>4.667</u> |
| Equity end of year | <u>42.852</u> |

Cash flow statement for 2019

| | Notes | 2019 DKK'000 | 2018 DKK'000 |
|--|--------------|-------------------------|-------------------------|
| Operating profit/loss | | 5.978 | 233 |
| Amortisation, depreciation and impairment losses | | 101 | 115 |
| Working capital changes | 8 | (63.644) | (70.470) |
| Cash flow from ordinary operating activities | | (57.565) | (70.122) |
| Financial income received | | 696 | 3.512 |
| Financial expenses paid | | (2.782) | (5.067) |
| Cash flows from operating activities | | (59.651) | (71.677) |
| Dividends received from associates | | 7.000 | 5.000 |
| Cash flows from investing activities | | 7.000 | 5.000 |
| Increase/decrease in cash and cash equivalents | | (52.651) | (66.677) |
| Cash and cash equivalents beginning of year | | 253.197 | 319.874 |
| Cash and cash equivalents end of year | | 200.546 | 253.197 |
| Cash and cash equivalents at year-end are composed of: | | | |
| Cash | | 200.259 | 80.830 |
| Securities | | 287 | 172.367 |
| Cash and cash equivalents end of year | | 200.546 | 253.197 |

Notes

| | 2019 | 2018 |
|---------------------------------|----------------|----------------|
| | DKK'000 | DKK'000 |
| 1. Staff costs | | |
| Wages and salaries | 66 | 109 |
| Other staff costs | 0 | 25 |
| | 66 | 134 |
| Average number of employees | 0 | 0 |

During a 2-year transformation, prior management and the board of the Society have reduced complexities and streamlined processes in order to achieve cost efficiencies in the NCB administration. NCB was in 2016, as a consequence a financially balanced copyright organisation, based around its core functions and this fact enabled the owners to consider the future of NCB and how the mechanical rights attached to physical music media should be administered going forward.

As a result of this, NCB's administrative activities relating to licensing, collection and distribution have continued uninterrupted but in a new organizational setting. According to the board decision all administrative activities and key resources have been outsourced to one of the member societies, Koda, in order to maintain the core operation and commercial know-how of NCB. Also collection activities regarding online performing rights were in 2016 transferred to NMP A/S with transfer of a number of NCB employees to NMP A/S.

As a consequence of the above, NCB no longer has employees or a registered management. However, the activities of licensing, collection, and distribution remain in the ownership of the Society, but they are performed by Koda as of 1 April 2017. Koda handles the Society's original activities.

Outsourcing from NCB to Koda.

- Koda has 11 FTEs working 100% on the collection, license and finance on behalf of NCB. Additionally, Koda has delivered 2,300 working hours involving 17 different FTEs in Koda delivering Legal, License and Financial support to NCB.

Outsourcing from NCB to NMP

In 2016, back office such as royalty processing and distribution was outsourced to NMP. In 2019, the expense for this service amounts to DKK 12.4 million equivalent to 12 to 14 FTEs. NCB owns 50% of NMP.

| | 2019 | 2018 |
|----------------------------------|----------------|----------------|
| | DKK'000 | DKK'000 |
| 2. Other financial income | | |
| Other interest income | 695 | 3.512 |
| | 695 | 3.512 |

Notes

| | 2019 | 2018 |
|---|----------------|--|
| | DKK'000 | DKK'000 |
| 3. Other financial expenses | | |
| Exchange rate adjustments | 3.150 | 817 |
| Fair value adjustments | (368) | 4.250 |
| | 2.782 | 5.067 |
| | | Acquired licences DKK'000 |
| 4. Intangible assets | | |
| Cost beginning of year | | 345 |
| Cost end of year | | 345 |
| Amortisation and impairment losses beginning of year | | (244) |
| Amortisation for the year | | (101) |
| Amortisation and impairment losses end of year | | (345) |
| Carrying amount end of year | | 0 |
| | | Invest- ments in associates DKK'000 |
| 5. Fixed asset investments | | |
| Cost beginning of year | | 31.207 |
| Cost end of year | | 31.207 |
| Impairment losses beginning of year | | (11.357) |
| Share of profit/loss for the year | | 290 |
| Adjustment of intra-group profits | | 486 |
| Dividend | | (7.000) |
| Impairment losses end of year | | (17.581) |
| Carrying amount end of year | | 13.626 |

6. Other investments

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

Notes

7. Deferred income

Undistributed consist of:

Undistributed royalties (Bifrost), net of DKK 119.182k (2018: DKK 158.644k)

Undistributed royalties (ASW Online), DKK 14.794k (2018: DKK 51.180k)

Undistributed royalties (Others), DKK 11.639k (2018: DKK 3.918k)

Undistributed royalties (Sister societies), net of DKK 12.576k (2018: 11.386k)

Total of DKK 158.191 k (2018: DKK 225.128k)

| | 2019 | 2018 |
|---|------------------------|------------------------|
| | <u>DKK'000</u> | <u>DKK'000</u> |
| 8. Change in working capital | | |
| Increase/decrease in receivables | 7.085 | 4.239 |
| Increase/decrease in trade payables etc | <u>(70.729)</u> | <u>(74.709)</u> |
| | <u>(63.644)</u> | <u>(70.470)</u> |

9. Contingent liabilities

The Society has entered into Service level agreements with NMP – Network of Music Partners A/S and Koda. The contracts contain notice of termination.

There are no other contingent liabilities.

10. 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 12.379 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 A enterprises.

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, administration, 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

Amortisation and impairment losses relating to 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.

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.

Other financial expenses

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

Accounting policies

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise acquired intellectual property rights which consist of Software licenses.

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.

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.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

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 and prepayments from standard producers.

Accounting policies

Deferred income

Undistributed royalties includes unallocatable royalties and other undistributed royalties.

Undistributed royalties 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.

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.