

NCB 2017

Transparency report



Introduction and table of contents

NCB's annual transparency report gives an overview of NCB's activities and holds detailed information on the revenues received from NCB's customers and NCB's distribution of royalties to the rightsholders from all over the world represented by NCB. The final section of the report consists of NCB's financial statements for 2017.

The report contains all the information required by the Danish Act on Collective Rights Management (2016).

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1 • The Management's review

2017 has been a challenging but good year for NCB.

For many years, NCB has seen declining royalty collections to handle and thus declining commissions to cover cost. NCB has – on an ongoing basis – adjusted cost and staff to accommodate, however it became increasingly difficult to continue to reduce cost and staff incrementally without increasing operational risk significantly. Thus, the NCB Board and ultimately the General Assembly March 22, 2017 approved a new setup that would allow NCB to handle the continued decline through a scalable structure that will facilitate future cost reductions if the activity level decreases further.

Hence, all activities and employees were transferred from NCB to Koda as of April 1, 2017. NCB has hired an external consultant who on a part-time basis oversees the service delivery from Koda to NCB and acts as the link between Koda and the Board of NCB. Most employees will now both handle NCB related matters and Koda matters. This allows management to allocate staff to activities where needed. And, most importantly, it gives the best opportunity to balance efforts in NCB in peak / off-peak times with limited staff in a way that allows core activities to be handled in busy times without more hands than necessary in NCB matters off-peak.

This new, flexible setup has been implemented and stabilized during 2017. No doubt, restructuring processes always put a lot of stress on staff and management. This has also been the case in reorganizing NCB. However, we have succeeded in implementing the new setup without disrupting ongoing service delivery to members and other stakeholders – and with previous NCB staff voicing a high degree of satisfaction with the new setup.

On this background, it is not without pride that NCB can report that – in addition to the above accomplishments – we have also managed to secure a positive result on the bottom line for 2017. Hence, NCB ended with a positive result of DKK 1.1 million. However, even though cost reductions through the new structure are part of the explanation, significant contributors to the positive result are higher distributions - and thus higher commission earnings to NCB - than anticipated and lower cost for the restructuring process than budgeted.

The positive result does not mean that NCB is in calm waters. Thus, we continue to see declining collections. Irrespective of this, royalties collected continue to be around DKK 100 million. Hence, this market will remain a significant source of income for rights holders in the years to come. This only emphasizes the need for a strong NCB with a continued clear focus on cost and efficiency in our core operations to ensure that NCB remains an organization that creates value for our members and the rights holders we represent.

2 • Financial information

2.1 Profit and loss account

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

2.2 Balance sheet

	2017 DKK'000	2016 DKK'000
Completed development projects	0	0
Acquired licences	216	281
Intangible assets	216	281
Other fixtures and fittings, tools and equipment	0	576
Property, plant and equipment	0	576
Investments in associates	22.697	25.575
Deposits	1	251
Fixed asset investments	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	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

2.2 Balance sheet (continued)

	2017	2016
	DKK'000	DKK'000
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	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		
Related parties with controlling interest		

2.3 Statement of changes in equity

	Retained earnings DKK'000
Equity beginning of year	36.274
Profit/loss for the year	1.080
Equity end of year	37.354

2.4 Cash flow statement

	2017 DKK'000	2016 DKK'000
Operating profit/loss	(821)	(12.517)
Amortisation, depreciation and impairment losses	172	292
Working capital changes	(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

3 • Collected royalties

3.1 Total collections

Country	Phono Standard	CLA-Contracts	Work by Work	Online	Video Standard	Work by Work Video	Unallocated	Broadcasting	Foreign Total	Total
Denmark	1.614.781	2.279.300	2.010.211	1.764.970	1.661.084	3.349.974	93.972	723.075		13.497.367
Norway	2.263.182	1.717.028	1.529.225	-111.584	609.360	6.101.010	2.606.113	509.071		15.223.405
Sweden	2.485.299	3.290.247	3.274.867		1.317.730	6.720.550	4.500.080			21.588.772
Finland	1.773.855	3.370.194	3.015.768	1.415.484	1.052.013	5.843.522	2.138.589			18.609.425
Iceland	462.698	699.521	371.026		167.365	4.260				1.704.870
Lithuania			113.353				-1.185			112.168
Estonia	40.354		855.625	455.301		2.022.050	216.834			3.590.164
Latvia	84.196									84.196
Foreign									20.247.887	20.247.887
Total	8.724.364	11.356.289	11.170.075	3.524.171	4.807.552	24.041.366	9.554.403	1.232.146	20.247.887	94.658.253

All amounts in DKK

3.2 Profit and loss split on collection categories (description)

NCB's income consists of commission from distributed royalties, fees and interest from late reporting and interest income from undistributed royalties placed in bonds.

Commission rates are fixed based on the approved budget for the year. There are no other deductions from undistributed royalties in any category to cover administration costs etc.

Costs or income that can be directly connected to a specific collection category are placed in that specific category. Costs or income with no direct connection to a specific collection category, are split by collection percentage in the range of categories they represent. There have been no costs or income connected to other business areas than collection and management of royalties.

3.3 Profit / Loss per category

DKK '000	Audio Standard Contract	Central Licensing	Sister Societies	Audio Single Licenses	Online Services	AV Single Licenses	AV Standard Contract	Other & Broadcasting	Total
Collection % Total	9,22%	12,00%	21,39%	11,80%	3,72%	25,40%	5,08%	11,40%	100,00%
Royalties collected incl. performing	8.724	11.356	20.248	11.170	3.524	24.041	4.808	10.787	94.658
Royalties distributed incl. performing Nett	7.178	11.862	13.197	8.369	30.763	16.062	6.936	25.871	120.238
Income:									
Commission	1.578	1.616	1.786	1.887	1.896	3.478	1.522	8.750	22.513
Other - Income	83	109	194	107	34	230	46	103	905
Total Income	1.661	1.725	1.980	1.994	1.930	3.708	1.568	8.853	23.418
Expenses:									
Staff	283	369	657	363	114	780	156	350	3.072
External expenses	291	379	676	373	118	802	160	360	3.159
Expenses owner societies	672	875	1.561	861	272	1.853	371	831	7.296
Expenses NMP	1.071	1.394	2.486	1.371	433	2.952	590	1.324	11.622
Total expenses	2.318	3.017	5.380	2.968	936	6.387	1.277	2.866	25.149
EBITDA (earnings before int. tax, dep & amort)	-656	-1.293	-3.400	-974	993	-2.679	291	5.987	-1.731
Depreciations	-16	-21	-37	-20	-6	-43	-9	-19	-171
Restructuring costs	100	130	232	128	40	276	55	124	1.085
EBIT (earnings before int. & tax)	-572	-1.183	-3.204	-866	1.027	-2.447	337	6.091	-817
Net - Financial income	-20	-27	-47	-26	-8	-56	-11	-25	-221
Profit from investments	196	255	454	250	79	539	108	242	2.122
EBT (earnings before tax)	-397	-955	-2.798	-642	1.098	-1.964	434	6.308	1.084
Tax	0	0	-1	0	0	-1	0	0	-4
Profit & Loss	-397	-955	-2.799	-642	1.098	-1.965	433	6.308	1.080

3.4 Collected royalties from foreign societies

Society	Country	Film/Video	Karaoke	Not defined product	Online	Phono	Phono blank tape	Radio/TV	Video blanktape levy	Total
ACUM	IL				8.422			48.416		56.838
AEPI	GR									0
AGADU	UY									0
AMCOS	AU	24.715			665.991	178.029				868.734
ARTISJUS	HU				397	23.064	13.679	92.251		129.392
AUME	AT	4.173		298.731	86.697	658.420		426.562		1.474.582
CASH	HK	234			80.275	4.216				84.725
GEMA	DE									0
HARRY FOX AGEN	US				609.764	257.596				867.360
HDS	HR				636	286		64.133		65.055
JASRAC	JP	175.511			308.962	539.505	4.063	156.527		1.184.568
KOMCA	KR	17.348	7.502	10.698	12.230	79.311				127.089
MCPS	GB	179.546		395.350	820.666	1.674.968		172.881		3.243.412
MCSC	CN		5.374		1.742	917				8.033
MESAM	TR				4.329	102.463		10		106.801
MUSICAUTOR	BG									0
ONDA	DZ									0
OSA	CZ	421		755	8.956	44.983	2.560	167.171		224.847
SABAM	BE	93.887		1.352	19.862	471.249	36.506	206.068		828.923
SACM	MX	446	2		203.788	12.843				217.078
SADAI C	AR				78.128	15.423				93.551
SAYCO	CO	1.979			19.696	192				21.868
SAZAS	SI				4.998	9.798				14.796
SACEM	FR	118.175		22.296	3.915.727	322.751	-41.428	74.547		4.412.068
SAMRO	ZA									0
SCD	CL									0
SGAE	ES	51.336		127.190	479.141	410.270	214.686	576.526		1.859.150
SIAE	IT	109.495			94.281	643.845	122.103	125.197	36.941	1.131.862
SODRAC	CA	765			203.471	84.438		126.753		415.427
SOKOJ	RS									0
SOZA	SK	71			567	4.360		44.631		49.628
SPA	PT	539		37	7.623	36.087	12.342	170.048	5.557	232.233
STEMRA	NL	81.782		9	204.318	441.328		453		727.891
SUISA	CH	208.488			231.133	411.449		561.078		1.412.149
RAO	RU									0
U.C.M.R.	RO									0
ZAIS	PL	21.418			37.460	330.949				389.827
Total		1.090.331	12.878	856.418	8.109.261	6.758.739	364.511	3.013.251	42.498	20.247.887

All amounts in DKK

4 • Distribution of royalties

4.1 Method and distribution frequency

NCB distributes twice a year in June and December.

Royalties due to Nordic based authors, composers and music publishers are distributed via Koda, STEF, STIM, Teosto and TONO.

Royalties due to international rights holders are distributed via affiliated societies based on NCB's reciprocal and unilateral agreements.

4.2 Total distributions

Country	Phono Standard	CLA-Contracts	Work by Work	Online	AV Mechanisation	AV Synchronisation	Foreign	Lumpsum	Total
Denmark	995.627	614.608	1.093.889	3.529.959	1.204.195	1.655.564	2.964.469	3.211.048	15.269.358
Norway	1.328.332	257.033	982.446	3.409.453	581.356	3.222.685	2.288.889	3.823.703	15.893.896
Sweden	2.427.034	9.209.771	2.915.840	11.543.156	2.559.819	7.077.417	6.125.374	13.886.126	55.744.537
Finland	1.239.108	1.091.697	1.964.392	3.220.278	1.147.018	3.012.637	1.485.865	3.528.651	16.689.646
Iceland	458.540	3.841	254.598	134.251	9.824	8.423	183.159	261.310	1.313.947
Lithuania	48	1.890	51.170	3.795	0	262	28.283	5.103	90.551
Estonia	41.355	13.978	419.173	183.625	851.559	141.533	56.154	77.176	1.784.553
Latvia	94.043	9.338	7.225	20.344	1.150	8.462	42.870	2.330	185.761
Internal acc					122.903	6.432	4.878	55	134.268
Foreign soc.	593.487	659.793	680.344	8.717.692	457.883	928.540	17.561	1.076.408	13.131.709
Total	7.177.573	11.861.948	8.369.077	30.762.554	6.935.708	16.061.956	13.197.501	25.871.910	120.238.227

All amounts in DKK

4.3 Distribution per category and commission rates

Royalties distributed per category:

Distributed amounts	Nett amount DKK	Commission DKK	Rate
AV Mechanisation	6.935.708	1.521.126	18%
AV Synchronisation	16.061.956	3.478.479	18%
CLA	11.861.947	1.615.602	12%
Foreign	13.197.501	1.786.668	12%
Lumpsum*	25.870.280	8.750.048	25%
Online	30.762.554	1.895.706	10%
Phono Single License	8.369.077	1.887.337	18%
Phono Standard License	7.177.573	1.577.579	18%
Radio/TV	1.630	357	18%
Total	120.238.226	22.512.902	

The Baltic Societies have set their own commission rates at EAÜ 25%, AKKA/LAA 24% and LATGA-A 21% for all royalties collected in their respective territories.

*Lumpsum – Lumpsum describes the categories, which are not distributed line-by-line. These categories are instead distributed based on category, territory, previous distribution information for same or similar categories and collection period.

4.4 Distribution to foreign societies

Society	Country	Phono Standard	CLA-Contracts	Work by Work	Online	AV Mechanisation	AV Synchronisation	Foreign	Radio/TV	Lumpsum	Total
ACUM	IL	1.976	774	3.447	20.941	20	878			1.673	29.709
ABRAMUS	BR									3	3
ACDAM	CU									10	10
ADDAF	BR	32	119			3				1	155
AEPI	GR	286	2.499	1.299	8.379	104	3.626	16		2.829	19.038
AGADU	UY	18	4		1		1.304			20	1.347
AKM	AU				50.469					2.111	52.580
AMAR	BR	222	7	144	3	4				19	399
AMCOS	AU	12.365	6.567	6.142	108.740	7.771	12.234			7.816	161.634
AMRA	US	1.470	1.554	826	251.230	26	1.483			8.438	265.027
APA	PY									2	2
APRA	AU				260.581					13.105	273.686
ARTISJUS	HU	684	4.238	1.010	13.202	1.499	1.169			533	22.335
ASCAP	US				1.811.641					104.393	1.916.034
AUME	AT	7.162	8.065	5.938	28.275	3.881	6.236	0		14.261	73.819
BMI	US				1.909.195					96.563	2.005.758
BSDA	SN				1.062					3	1.065
BUMA	NL				495.952					72.423	568.375
CASH	HK	347	140		3					49	539
CMRRA	CA									0	0
COTT	TT	25	3	117	155					4	304
GEMA	DE	141.991	154.821	231.162	891.003	129.898	188.633		70	133.164	1.870.743
HARRY FOX	US										-
HDS	HR	136	2.938	573	4.092	158	98			306	8.300
IMRO	IE				14.079					592	14.671
IPRS	IN				516					3	519
JACAP	JM									5	5
JASRAC	JP	9.430	322	5.730	18.092	13.367	2.602			17.167	66.710
KOMCA	KR	7	1		1.391	1				3.969	5.370
MCPS	GB	184.876	254.946	135.545	729.271	69.699	121.863	793	44	138.027	1.635.064
MCSC	CN									0	0
MESAM	TR	61	434	236	1.041	0	82			612	2.467
MUSICAUT	BG	56	213	127	113	4				225	738
ONDA	DZ										-
OSA	CZ	1.465	1.354	255	3.213	11.543				1.647	19.476
PAM	ME		802		5						807
PRS	GB				756.536					142.519	899.055

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Society	Country	Phono Standard	CLA-Contracts	Work by Work	Online	AV Mechanisation	AV Synchronisation	Foreign	Radio/TV	Lumpsum	Total
SABAM	BE	21.920	11.392	12.269	128.384	3.237	17.186			20.875	215.263
SACM	MX	1.682	458	695	658	1.212	156			95	4.956
SADAIC	AR	1.977	722	2.354	11.418	1.141	3.993			3.112	24.717
SAYCO	CO			149	69					4	223
SAZAS	SI	1	1.428		544	305				4.869	7.147
SACEM	FR	64.711	48.988	45.536	174.989	107.133	345.659	6.991		106.094	900.102
SACVEN	VE	10	52	440		0				1	502
SAMRO	ZA	3	15		1.230	157				164	1.569
SARRAL	ZA									0	0
SBACEM	BR	128	1	39	0	0				23	192
SCD	CL	32	238	1	3.349	468	1.243			230	5.562
SGAE	ES	13.669	28.449	7.455	25.669	13.067	6.929	0	0	7.460	102.698
SIAE	IT	23.620	60.103	30.444	60.172	15.800	33.024			25.236	248.399
SESAC	US	26.640	17.208	14.803	138.958	4.549	20.556	1		11.847	234.560
SODRAC	CA	395	269	1.862	39.510	43.964	1.510			15.507	103.017
SOCAN	CA				252.470					13.229	265.699
SOCINPRC	BR	16	0	70	12.469	21	63			214	12.852
SOKOJ	RS	279	3.030	36	9.775	9	244			855	14.228
SOZA	SK	41	94		426					1	563
SPA	PT	320	1.543	121	4.654	264	4.089	4		859	11.853
STEMRA	NL	48.878	29.016	150.349	342.658	10.324	146.460	9.757		75.577	813.018
SUISA	CH	13.488	6.446	13.176	94.567	8.353	5.409			22.820	164.260
RAO	RU	3.737	7.838	5.860	928	2.555	1.071			949	22.939
UBC	BR	1.661	9		21					2	1.692
U.C.M.R.	RO	500	1.180	236	1.068	22				440	3.447
ZAMP	MK	2.531	81	1.279		44	151			994	5.078
ZAIS	PL	4.644	1.432	621	34.522	7.282	589			2.341	51.431
Total		593.487	659.793	680.344	8.717.692	457.883	928.540	17.561	114	1.076.294	13.131.709

5 • Undistributed royalties

5.1 Practice regarding undistributable royalties

During the collection and distribution process, all royalties undergo different statuses before the amount is distributed. At first the amount is shown as "Invoiced", when the invoice has been created and NCB is awaiting payment. Then the amount is categorised "Payment received", when the amount is received and awaits the next distribution run. The amount is now distributed within the time limits set out in the Danish Act on Collective Rights Management (based on the so-called CRM Directive).

However, some royalties cannot be distributed due to various reasons, the main reason being missing documentation (approx. 55%) or disputes (approx. 30%). All royalties are divided into different groups and given a code describing the reason why they are not distributed. This also includes the royalties awaiting the next distribution run. See the figures below.

The royalties which cannot be distributed are manually handled and undergo various processes too. One of the processes for seeking information regarding documentation is sending lists of works with missing documentation to NCB's member societies 16 times per year and uploading the lists to the website twice a year. The works are sent through the system with each distribution run to be matched and distributed.

If it is not possible to distribute received amounts within three years, the main rule is that the amount is distributed as a lump sum based on category, territory, previous distribution information for same or similar categories and collection period. However, there are a few exceptions from this rule, e.g. disputes, which are kept in the system until the parties have reached a settlement.

5.2 Undistributed royalties by 31 December 2017

Table by type of use:

DKK	Before 2017	2017	Total
000			
AV Mechanisation	6.313	1.496	7.809
AV Synchronisation	5.566	6.905	12.471
CLA	11.106	789	11.895
Foreign	20.012	8.168	28.180
Online	123.966	4.822	128.788
Phono Single License	9.413	4.138	13.551
Phono Standard	7.436	1.439	8.875
Radio/TV	-	45	45
Other	3.280	1.826	5.106
	187.092	29.628	216.720

Table by type of delay:

DKK	Before 2017	2017	Total
000			
Invoiced but not paid	15.514	3.288	18.802
<i>*65% of the amount consist of Online await clarification</i>			
Ready for distribution	48.713	7.960	56.673
<i>*70% of the amount consist of Online with missing work documentation.</i>			
Missing work documentation	29.967	2.768	32.735
Dispute	13.902	1.895	15.797
Shares on work	3.379	311	3.690
Other	1.446	147	1.593
Partly distributed rest share is missing	27.208	10.164	37.372
Carve out protection pct has changed	43.705	1.291	44.996
<i>*100% Online</i>			-
Other	3.258	1.804	5.062
			-
	187.092	29.628	216.720

6 • Social and cultural deductions

NCB does not deduct social and cultural amounts on any mechanical rights.

Deductions made when processing royalties on behalf of other societies

When NCB processes royalties on behalf of its member societies (Koda, STEF, STIM, Teosto and TONO), such processing might entail a request from the relevant society to apply deductions for social and cultural purposes on the performing rights represented by these societies, as shown in the figure below. NCB only handles such performing rights when handling online rights on behalf of the member societies, and therefore NCB only deducts social and cultural amounts on the performing rights part of online rights. All such amounts are transferred to the member societies for further handling. Thus, NCB refers to Koda, STEF, STIM, Teosto and TONO and each of their Annual Transparency Reports for further information.

Amounts deducted on behalf of member societies:

Dist.currency	Amount - DKK
DKK	802.531
EUR	131.826
ISK	7.211
NOK	243.323
SEK	448.184
Total	1.633.075

Applicable rates when handling distributions on behalf of member societies:

	Denmark Koda	Finland TEOSTO	Iceland STEF	Norway Tono	Sweden Stim
Permanent Downloads					
% of performing		6,0	10,0	10,0	
On demand streaming (for free)					
% of performing		6,0			
On demand streaming (under subscription)					
% of performing	10,0	6,0	10,0	10,0	
Ringtones					
% of performing		6,0	10,0	10,0	
Cloud Locker Services					
% of performing		6,0			
Temporary Downloads					
% of performing	10,0	6,0	10,0	10,0	
Tehered Downloads (for free)					
% of performing		6,0			
Tehered Downloads (under subscription)					
% of performing		6,0			
Webcasting					
% of performing		6,0			
User generated content (e.g. Youtube)					
% of performing		6,0			

NKF – Norwegian Composers Foundation

In accordance with the Norwegian Act of April 9, 1965 no.1, regarding The Norwegian Composers foundation NCB also deducts 2% on all sales in Norway. However, this is not a deduction but an extra charge, since the 2 % are added to the invoice. NCB refers to the Norwegian Composers Foundation and the Norwegian Act of April 9, 1965 no.1 for further information.

Amounts collected for the Foundation:

Collections group	Amount - DKK
Phono Standard	35.757
Foreign	9.178
AV Synchronisation	119.930
AV Mechanisation	11.846
Online	42.006
CLA-contracts	32.052
Phono Single	28.575
Fee's	1.456
Total	280.799

7 • Rejection of licensees

NCB does not reject licensees in general. The only reasons for NCB not granting a licence upon request are:

- if the licence requested does not fall under the scope of mechanical music rights
- if the music work is not copyright protected
- if the administration of the rights are not passed on to NCB
- lack of payment of royalties due.

8 • General information on NCB

8.1 Legal and governance structure

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.

Following the restructuring process in 2017 mentioned in the Management's review in Chapter 1 of this report in order to secure NCB's business in the future, all of the administrative activities and key resources of NCB were outsourced to the administration of Koda. This way, NCB has chosen to underpin its core operation and commercial knowhow in a new organizational setup, which at the same time would maintain the existing legal structure of NCB as a collective rights management society. NCB has hired an external consultant that on a part-time basis oversees the service delivery from Koda to NCB and acts as the link between Koda and the Board of NCB.

The current members of NCB are all of the Nordic performing rights societies: 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, STEF, STIM, Teosto and TONO each appoint one member at the General Assembly.

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 twice a year and review the books.

8.2 Ownership of other entities

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

8.3 About NCB

Name & registered office

Nordisk Copyright Bureau
Lautrupsgade 9
DK-2100 Copenhagen Ø
Denmark

CVR number 22 13 33 14

(Central Business Registration number)

Contact information

Telephone: (+45) 33 36 87 00
Email: ncb@ncb.dk
Web: www.ncb.dk

Annual General Meeting

The Annual General Meeting will be held on 25 May 2018.

8.4 Executive bodies of NCB 2017

Board of Directors

- | | |
|---|---------------------|
| • Katri Sipilä, CEO (Chairman) | Appointed by Teosto |
| • Cato Strøm, Managing Director (Vice-chairman) | Appointed by TONO |
| • Anders Lassen, Managing Director | Appointed by Koda |
| • Guðrun Björk Bjarnadóttir, General Manager | Appointed by STEF |
| • Karsten Dyhrberg Nielsen, CEO | Appointed by STIM |

Audit Committee

- Jacob Morild, Lyricist
- Asbjørn Schaathun, Composer
- Pekka Sipilä, Executive Director
- Kettil Skarby, Music Publisher

Auditor

- Deloitte Statsautoriseret Revisionspartnerselskab

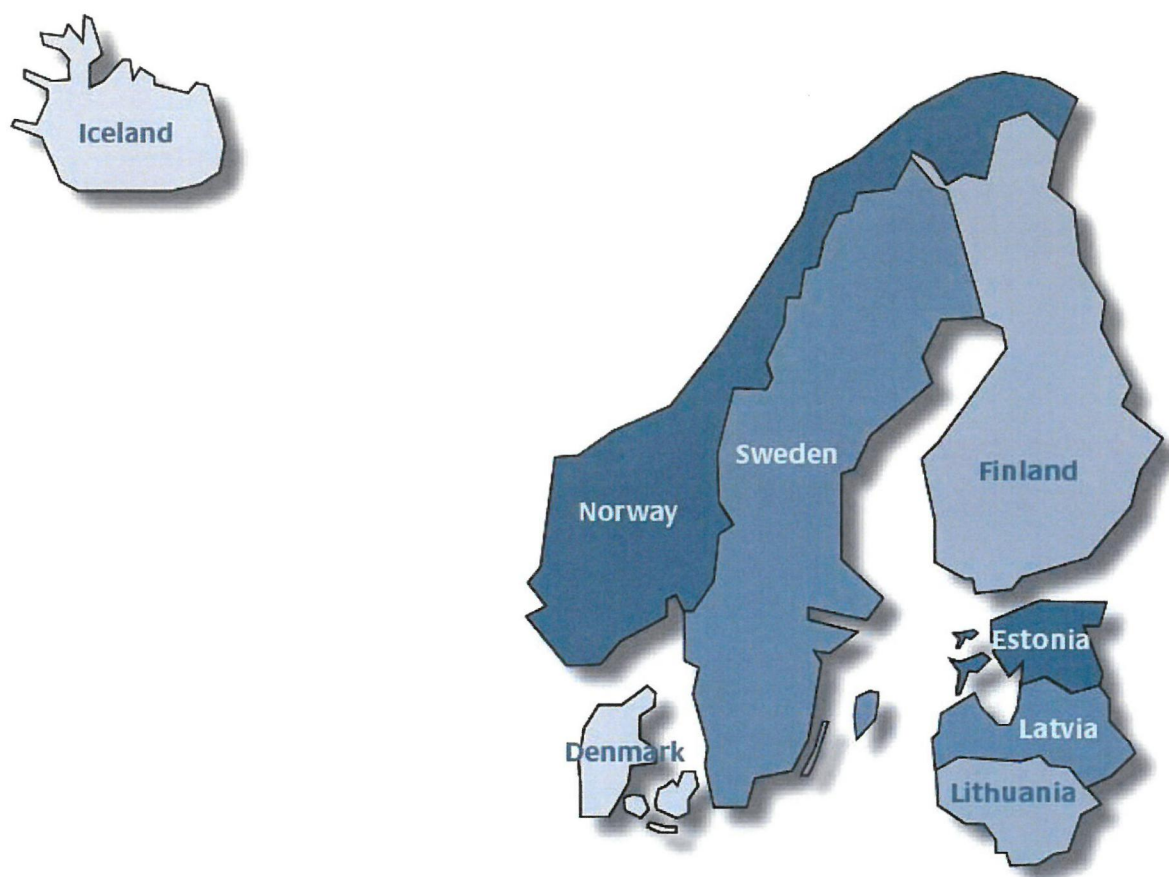
Executive Management

NCB has no executive management, since its activities are outsourced to Koda, thus NCB is represented by the Chairman. However, as described above, NCB has hired an external consultant who on a part-time basis oversees the service delivery from Koda to NCB and acts as the link between Koda and the Board of NCB. This consultant does not act in the capacity of executive management of NCB.

8.5 Remuneration of the Board and management

There is no remuneration to the members of the NCB Board. However, as described above, NCB has hired an external consultant who on a part-time basis oversees the service delivery from Koda to NCB and acts as the link between Koda and the Board of NCB. This consultant does not act in the capacity of executive management of NCB.

8.6 NCB's territory of administration



9 • Annual Report 2017

NCB's Annual Report 2017 is attached to this Annual Transparency Report on the following pages.

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



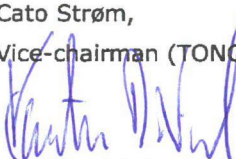
Katri Sipilä
Chairman (TEOSTO)



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 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 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 DKK'000</u>	<u>2016 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		<u>1.080</u>	<u>(5.888)</u>
Proposed distribution of profit/loss			
Retained earnings		<u>1.080</u>	<u>(5.888)</u>
		<u>1.080</u>	<u>(5.888)</u>

Balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
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

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Operating profit/loss		(821)	(12.517)
Amortisation, depreciation and impairment losses		172	292
Working capital changes	9	<u>(90.617)</u>	<u>(24.679)</u>
Cash flow from ordinary operating activities		(91.266)	(36.904)
Financial income received		3.019	4.310
Financial income paid		<u>(3.236)</u>	<u>54</u>
Cash flows from operating activities		(91.483)	(32.540)
Acquisition of fixed asset investments		0	(496)
Dividends received from associates		<u>5.000</u>	<u>3.000</u>
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		<u>406.357</u>	<u>436.393</u>
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		<u>224.581</u>	<u>294.679</u>
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
 2. Other financial income	 2017	 2016
	DKK'000	DKK'000
Other interest income	2.931	4.266
Fair value adjustments	88	1.268
	3.019	5.534
 3. Other financial expenses	 2017	 2016
	DKK'000	DKK'000
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.