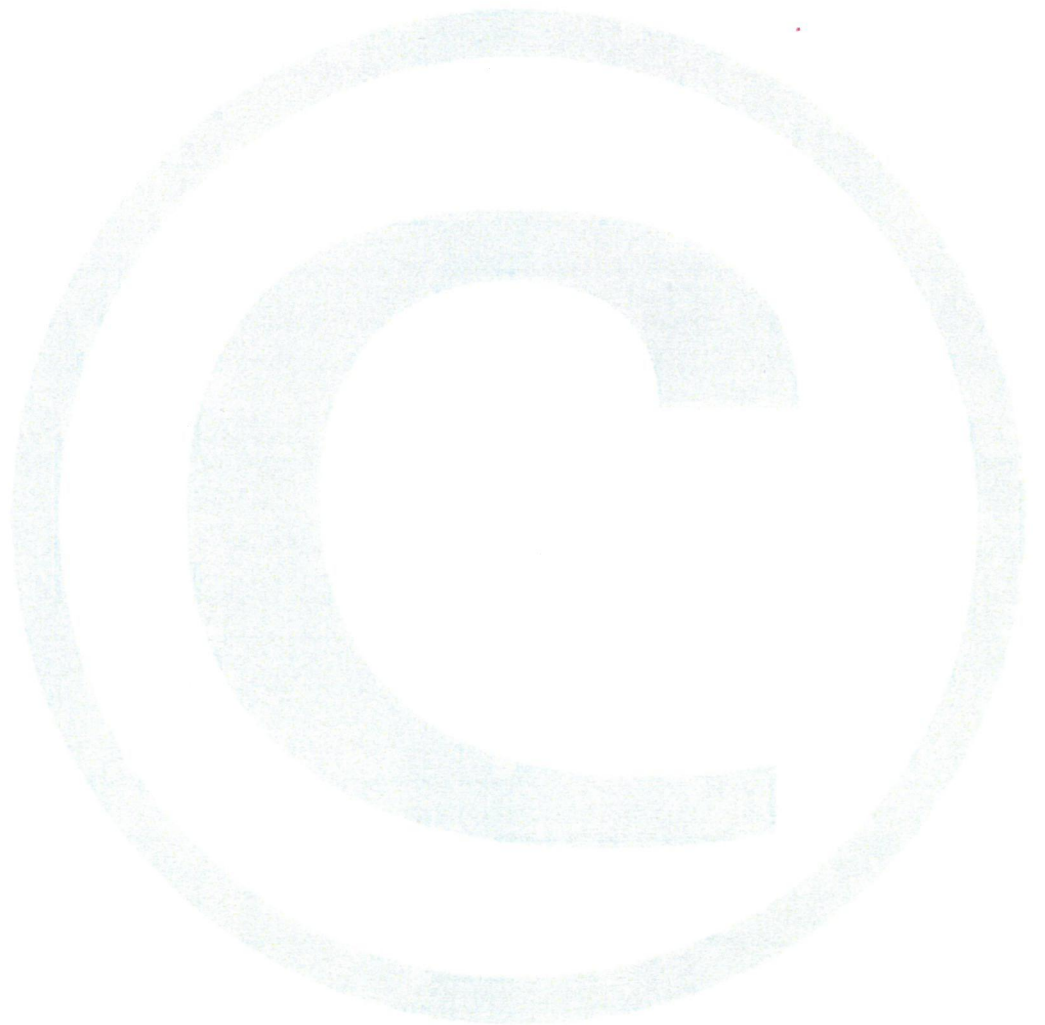


NCB 2018

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 2018.

The report contains all the information required by the Danish Act on Collective Rights Management (2016) and is based on the accounting information stated in NCB's audited financial statements for 2018.

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1 • The Management's review

The year of 2018 was the first full year of operation in the new, outsourced setup for NCB. It has been a good year for NCB where we have seen operations stabilize and the strength of the new, outsourced setup again proving its value. Hence, NCB in 2018 was able to deliver a modest but yet positive result in a mechanical market that continues to decline.

This is a result of a reduced cost level of operation and it confirms the fundamental rationale of outsourcing operations to Koda in 2017. Though this is positive, it does not give reason to lean back in satisfaction. Indeed, the continued decline in the mechanical market and other challenges call for ongoing considerations around how to best structure the mechanical administration of rights in the Nordics. Hence, NCB will continue to have a strong focus on this.

Despite 2018 being a satisfactory year for NCB, we have also seen significant challenges. The main one has been the continued obstacles in getting mechanical royalties out of Germany in order to pass on to NCB's member societies. Thus, to our great disappointment it was not possible to reach agreement with the German tax authorities regarding the payments to flow from GEMA to NCB. The situation end of 2018 therefore remains the same as in 2017, i.e. that no payments can be done without GEMA deducting approximately 15% tax. All Nordic member societies have been faced with the same challenge and not all have seen solutions yet. Despite significant efforts from NCB and our advisors, collections from GEMA for 2017 and 2018 amounting to more than DKK 50m were parked in GEMA by the end of 2018. This is highly dissatisfactory, and the Board of Directors of NCB wants the situation to be solved in 2019.

In our core operations, we have had a focus on continued optimization and streamlining in all areas of business. Just as a few examples, we have clarified the setup around Grand Rights that are now unequivocally placed under self-administration and the area of mechanization of copies of movies for use in cinemas have been transferred to the Nordic societies. Not because NCB could not handle the business area but because the cost of running the historic setup could not be defended by the revenues generated. Thus, developing a new model that could reduce cost and complexity was imperative and this has been achieved. Finally, NCB has continued the efforts to develop a new model for handling synchronization rights in the Nordics in line with the guidance that NCB received at the General Assembly in 2018. The intention is to increase the attractiveness of the rights for the commercial music that we control and, again, to seek ways of reducing cost of handling those rights.

All in all, these initiatives demonstrate the core focus of NCB in 2018 – and for the future: To ensure that NCB continues to create value for our members through more efficient operations and by developing innovative models to cover the mechanical markets better, trying to counter some of the decline in mechanical royalties.

2 • Financial information

2.1 Profit and loss account

	2018 DKK'000	2017 DKK'000
Revenue	20.269	22.514
Other operating income	752	904
Other external expenses	(20.539)	(20.994)
Gross profit/loss	482	2.424
Staff costs	(134)	(3.073)
Depreciation, amortisation and impairment losses	(115)	(172)
Operating profit/loss	233	(821)
Income from investments in associates	2.153	2.122
Other financial income	3.512	3.019
Other financial expenses	(5.067)	(3.236)
Profit/loss before tax	831	1.084
Tax on profit/loss for the year	0	(4)
Profit/loss for the year	831	1.080
Proposed distribution of profit/loss		
Retained earnings	831	1.080
	831	1.080

2.2 Balance sheet

	2018 DKK'000	2017 DKK'000
Acquired licences	101	216
Intangible assets	101	216
Investments in associates	19.850	22.697
Deposits	0	1
Fixed asset investments	19.850	22.698
Fixed assets	19.951	22.914
Trade receivables	5.470	9.981
Receivables from associates	1.813	1.807
Other receivables	2.202	2.111
Prepayments	176	0
Receivables	9.661	13.899
Other investments	172.367	224.581
Other investments	172.367	224.581
Cash	80.830	95.293
Current assets	262.858	333.773
Assets	282.809	356.687

2.2 Balance sheet (continued)

	2018 DKK'000	2017 DKK'000
Retained earnings	38.185	37.354
Equity	38.185	37.354
Prepayments received from customers	14.512	14.466
Trade payables	2.023	6.430
Other payables	14.347	20.251
Deferred income	213.742	278.186
Current liabilities other than provisions	244.624	319.333
Liabilities other than provisions	244.624	319.333
Equity and liabilities	282.809	356.687

2.3 Statement of changes in equity

	Retained earnings DKK'000
Equity beginning of year	37.354
Profit/loss for the year	831
Equity end of year	38.185

2.4 Cash flow statement

	2018 DKK'000	2017 DKK'000
Operating profit/loss	233	(821)
Amortisation, depreciation and impairment losses	115	172
Working capital changes	(70.470)	(90.617)
Cash flow from ordinary operating activities	(70.122)	(91.266)
Financial income received	3.512	3.019
Financial expenses paid	(5.067)	(3.236)
Cash flows from operating activities	(71.677)	(91.483)
Dividends received from associates	5.000	5.000
Cash flows from investing activities	5.000	5.000
Increase/decrease in cash and cash equivalents	(66.677)	(86.483)
Cash and cash equivalents beginning of year	319.874	406.357
Cash and cash equivalents end of year	253.197	319.874
Cash and cash equivalents at year-end are composed of:		
Cash	80.830	95.293
Securities	172.367	224.581
Cash and cash equivalents end of year	253.197	319.874

3 • Collected royalties

3.1 Total collections

Country	Phono Standard	CIA-Contracts	Work by Work	Online	Video Standard	Work by Work Video	Unallocated	Broadcasting	Foreign Total	Total
Denmark	1,971,183	1,820,681	1,534,089	-1,517,090	1,484,318	2,147,555	86,168	697,531		8,224,436
Norway	1,842,206	1,427,066	1,289,930	-1,301,031	674,014	5,795,283	2,627,026	501,670		12,856,165
Sweden	2,079,130	2,998,482	2,464,889	-408	974,914	5,632,732	4,228,133			18,377,872
Finland	1,370,551	2,255,394	2,400,132	-416,555	983,704	5,482,291	1,789,287			13,864,804
Iceland	237,966		206,329	-40,854	48,872	-689				451,623
Lithuania			-270,805	-59,210		-17,677	216			-347,476
Estonia			556,032	467,659		1,489,075	91,978			2,604,744
Latvia	63,162		38,721	-49,697		2,066				54,251
Foreign									26,624,005	26,624,005
Total	7,564,198	8,501,624	8,219,316	-2,917,186	4,165,822	20,530,636	8,822,808	1,199,201	26,624,005	82,710,424

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	9.15%	10.28%	32.19%	9.94%	-3.53%	24.82%	5.04%	12.12%	100.00%
Royalties collected incl. Performing	7,564	8,502	26,624	8,219	-2,917	20,531	4,166	10,022	82,711
Royalties distributed incl. performing Nett	5,920	7,632	14,482	6,603	4,611	14,260	5,740	28,871	88,119
Income:									
Commission	1,300	1,039	1,965	1,493	304	3,136	1,267	9,763	20,267
Other - Income	69	77	242	75	-27	187	38	91	752
Total Income	1,369	1,116	2,207	1,568	277	3,323	1,305	9,854	21,019
Expenses:									
Staff	12	14	44	14	-5	34	7	16	136
External expenses	217	244	764	236	-84	589	120	288	2,374
Expenses owner societies	700	787	2,463	760	-270	1,900	385	927	7,653
Expenses NMP	985	1,107	3,465	1,070	-380	2,672	542	1,305	10,766
Total expenses	1,914	2,151	6,737	2,080	-738	5,195	1,054	2,536	20,929
EBITDA (earnings before int. tax, dep & amort)	-545	-1,035	-4,530	-512	1,016	-1,872	251	7,318	90
Depreciations	-11	-12	-37	-11	4	-29	-6	-14	-115
Restructuring costs	23	26	82	25	-9	63	13	31	255
EBIT (earnings before int. & tax)	-532	-1,021	-4,485	-498	1,011	-1,838	258	7,335	230
Net - Financial income	-142	-160	-501	-155	55	-386	-78	-188	-1,555
Profit from investments	197	221	693	214	-76	534	108	261	2,153
EBT (earnings before tax)	-478	-959	-4,292	-439	990	-1,689	288	7,408	828
Tax	0	0	0	0	0	0	0	0	0
Profit & Loss	-478	-959	-4,292	-439	990	-1,689	288	7,408	828

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				17,345	16,978		186,667		220,991
AEPI	GR	5,781			3,044	3,111		21,946		33,881
AGADU	UY									0
AMCOS	AU	52,819			1,028,639	42,201				1,123,659
ARTISJUS	HU				3,306	22,999	24,862	88,704		139,871
AUME	AT	2,473		19,200	25,484	962,657		494,021		1,503,836
CASH	HK			1,021	95,186	367				96,573
GEMA	DE									0
HARRY FOX	US				503,681	268,388				772,069
HDS	HR									0
JASRAC	JP	447,492			481,018	694,538	4,314	195,213		1,822,575
KOMCA	KR	1,637	1,089	156	67,142	73,837		4		143,865
MCPS	GB	237,884		1,225,297	3,382,201	2,415,439		699,330		7,960,151
MCSC	CN		8,021		9,266	178				17,465
MESAM	TR					7,544				7,544
MUSICAUTOR	BG									0
ONDA	DZ									0
OSA	CZ	27,411		68,993	2,633	26,725	46,918			172,680
SABAM	BE	15,487		14,170	123,802	275,670	13,793	145,377		588,300
SACM	MX		0	1,626	97,744					99,371
SADAIC	AR				28,515	20,207				48,722
SAYCO	CO	7,350		12	31,642					39,005
SAZAS	SI									0
SACEM	FR	253,845		48,473	3,916,753	886,450	285,109	1,524,028		6,914,658
SAMRO	ZA									0
SCD	CL				732	625				1,357
SGAE	ES	5,644		13,379	99,349	126,598	7,664	302,701		555,336
SIAE	IT	138,685			75,400	305,574	248,579	127,329	64,201	959,768
SODRAC	CA	11,198		65,411	514,539	98,890	20,120	567,861	-730	1,277,290
SOKOJ	RS									0
SOZA	SK	1		8	51	3,243		30,731		34,034
SPA	PT	265		15,170	3,228	40,758	61,152	68,738		189,311
STEMRA	NL	77,148		3,249	478,139	451,574		1,543		1,011,654
SUISA	CH	13,439		913	88,941	109,853		428,964		642,110
RAO	RU					9,430				9,430
U.C.M.R.	RO	29			453	11,764	573			12,818
ZAIS	PL	108,218			14,039	103,422				225,679
Total		1,406,806	9,111	1,477,080	11,092,274	6,979,020	713,085	4,883,158	63,470	26,624,005

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.

NCB is member of the collective rights management organisation Copydan Arkiv, which collects monies for the use of copyright protected works by educational institutions. Any collections by Copydan AVU are forwarded to its members, who in turn distribute the money to the rightsholders. Both Koda and NCB are members of this Copydan organisations. Since the Copydan organisation represent both Koda and NCB, the Copydan organisation is able to collect monies for the use of musical works in general; i.e. both for the performing rights (Koda) and for the mechanical rights (NCB). In practice, the licensing of musical works done by Copydan AVU does not distinguish between these two types of exploitation. On this background, NCB and Koda have agreed that, to the extent NCB were allocated money from Copydan AVU, Koda will receive and distribute any such money.

4.2 Total distributions

Country	Phono Standard	CLA-Contracts	Work by Work	Online	AV Mechanisation	AV Synchronisation	Foreign	Lumpsum	Total
Denmark	1,108,381	483,675	1,084,824	393,120	975,464	1,539,613	3,081,061	4,044,969	12,711,107
Norway	1,139,981	190,151	668,841	421,379	480,967	2,426,530	2,871,823	4,372,761	12,572,434
Sweden	2,232,822	6,167,949	2,234,517	1,918,942	1,815,476	6,663,483	6,577,839	15,216,213	42,827,242
Finland	835,976	404,252	1,405,293	251,482	1,148,652	3,168,056	1,517,178	3,827,231	12,558,120
Iceland	131,783	2,854	160,206	21,694	155,930	3,937	258,746	178,069	913,219
Lithuania	59	1,061	43,075	4,448	1,068		33,024	33,470	116,206
Estonia	11,643	14,788	351,938	122,390	677,618	86,533	97,947	206,097	1,568,955
Latvia	29,599	211	20,587	2,340	1,018		43,681	3,495	100,931
Internal acc			2,104	0	61,780	15,180		80	79,144
Foreign soc.	429,285	367,006	631,315	1,475,116	422,186	356,301	489	990,870	4,672,567
Total	5,919,530	7,631,946	6,602,700	4,610,911	5,740,159	14,259,633	14,481,790	28,873,254	88,119,923

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	5,740,159	1,267,004	18%
AV Synchronisation	14,259,633	3,136,133	18%
CLA	7,631,946	1,039,028	12%
Foreign	14,481,790	1,965,495	12%
Lumpsum*	28,870,780	9,762,677	25%
Online	4,610,911	303,962	10%
Phono Single License	6,602,700	1,492,815	18%
Phono Standard License	5,919,530	1,299,641	18%
Radio/TV	2,474	543	18%
Total	88,119,923	20,267,299	

* 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.

The Baltic Societies have set the commission rates individually: AKKA/LAA (Latvia) 24%, LATGA-A (Lithuania) 21% for all royalties collected and EAÜ (Estonia) 15% for online, 20% for AV Mechanisation and 25% for AV Synchronisation and Work by Work.

4.4 Distribution to foreign societies

Society	Country	Phono Standard	CJA-Contracts	Work by Work	Online	AV Mechanisation	AV Synchronisation	Foreign	Radio/TV	Lumpsum	Total
ACUM	IL	1,025	2,093	1,517	10,149	165	331		1	1,129	16,411
ABRAMUS	BR									2	2
ACDAM	CU	9	9	430	302		127				876
ADDAF	BR	5	0			0	447			1	454
AEPI	GR	553	166	544	982	73	337			1,406	4,061
AGADU	UY									0	0
AKM	AU				4,541					2,326	6,867
AMAR	BR	173	0	22	1,942	4	157			2	2,301
AMCOS	AU	5,151	874	14,064	8,499	4,391	7,779	183		18,383	59,325
AMRA	US	911	657	271	17,970	64	510			6,914	27,297
APA	PY										-
APRA	AU				56,996					18,539	75,535
ARTISJUS	HU	458	1,063	652	2,126	1,188	402			466	6,354
ASCAP	US				286,402					66,628	353,030
AUME	AT	2,240	4,189	4,787	1,971	1,187	2,613			8,358	25,345
BMI	US				311,751					53,367	365,118
BSDA	SN									3	3
BUMA	NL				71,281					50,866	122,147
CASH	HK	70			9					134	213
CMRRA	CA										-
COTT	TT										-
GEMA	DE	109,153	92,409	253,565	186,967	69,167	77,250			171,743	960,254
HARRY FOX	US										-
HDS	HR	74	176	359	658	1	17			49	1,333
IMRO	IE				1,629					58	1,688
IPRS	IN										-
JACAP	JM									6	6
JASRAC	JP	2,565	24	5,498	2,408	93,332	731			21,048	125,606
KOMCA	KR									8	8
MCPS	GB	143,483	191,764	86,684	82,048	21,374	68,667	47		137,432	731,500
MCSC	CN		9		17	794	470			1,659	2,949
MESAM	TR	125		24	447	46	1,503			14	2,158
MSG	TR	7	37	7	4,306	9				2	4,369
MUSICAUTOR	BG	62	10	40	32	2				3	149
ONDA	DZ										-
OSA	CZ	942	113	1,027	220	13,223	177			3,001	18,704
PAM	ME		72		0		69				141
PRS	GB				121,396					71,161	192,557
SABAM	BE	13,638	1,769	7,192	30,450	4,541	8,336			18,297	84,224
SACM	MX	492	1	230	125	19	269			138	1,273
SADAIC	AR	1,144	358	1,881	1,281	679	5,377			425	11,145
SAYCO	CO				206		147			6	358
SAZAS	SI	880	1,133		2	2,265				3,453	7,733
SACEM	FR	48,726	20,153	39,738	24,459	112,831	64,875	259	4	129,943	440,988

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Society	Country	Phono Standard	CIA-Contracts	Work by Work	Online	AV Mechanisation	AV Synchronisation	Foreign	Radio/TV	Lumpsum	Total
SACVEN	VE	9	11	92			49			1	162
SAMRO	ZA		24		488	327	447			15	1,300
SARRAL	ZA									0	0
SBACEM	BR									29	29
SCD	CL	9	9		160	325				5	508
SGAE	ES	8,954	2,782	3,875	3,724	6,668	12,959			9,143	48,106
SIAE	IT	20,140	14,171	31,100	9,844	19,051	20,260			24,939	139,504
SESAC	US	25,892	9,957	9,972	115,220	1,812	6,266			9,712	178,830
SOBODAYC	BO									212	212
SODRAC	CA	2,755	7,329	4,947	942	4,161	9,419			25,876	55,428
SOCAN	CA				63,784					10,107	73,891
SOCINPRO	BR									1	1
SOKOJ	RS	68	830	279	2,079	64	1,717			691	5,729
SOZA	SK	2	2	260	6					2	271
SPA	PT	122	1,158	626	664	235				543	3,348
STEMRA	NL	30,443	7,154	141,646	22,740	48,174	51,863			100,308	402,328
SUISA	CH	5,026	3,467	3,887	18,397	6,678	3,405			20,246	61,106
RAO	RU	2,614	1,842	14,549	200	2,144	7,810			1,264	30,423
UACRR	UA		863	236			337			3	1,439
UBC	BR	826	6		5					3	840
U.C.M.R.	RO	24	126	132	44	276	911			16	1,529
ZAMP	MK		4	135						1	139
ZAIS	PL	514	192	1,046	5,248	6,916	265			779	14,960
Total		429,285	367,006	631,315	1,475,116	422,186	356,301	489	5	990,865	4,672,567

All amounts in DKK

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 2018

Table by type of use:

DKK	Before 2018	2018	Total
000			
AV Mechanisation	4,212	1,498	5,710
AV Synchronisation	5,815	6,749	12,564
CLA	9,607	141	9,748
Foreign	22,424	6,766	29,190
Online	79,260	1,143	80,403
Phono Single License	8,413	3,732	12,145
Phono Standard	6,839	878	7,717
Radio/TV	41	-	41
Other	1,103	23	1,126
In Finance system:			
Online	51,180		51,180
Other	3,918		3,918
	192,812	20,930	213,742

Table by type of delay:

DKK	Before 2018	2018	Total
000			
Invoiced but not paid	9,461	3,917	13,378
<i>*53% of the amount consist of Online await clarification</i>			
Ready for distribution	41,292	6,328	47,620
<i>*68% of the amount consist of Online with missing work documentation.</i>			
Missing work documentation	17,920	1,858	19,778
Dispute	14,330	208	14,538
Shares on work	3,380	183	3,563
Other	1,523	111	1,634
Partly distributed rest share is missing	27,351	7,991	35,342
Carve out protection pct has changed	18,334	34	18,368
<i>*100% Online</i>			-
Other	3,070	1,353	4,423
In Financesystem:			
Online	51,180		51,180
Other	3,918		3,918
	191,759	21,983	213,742

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	136,786
EUR	6,766
ISK	1,720
NOK	33,225
SEK	98,103
Total	276,601

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	30,308
Foreign	9,017
AV Synchronisation	97,337
AV Mechanisation	13,644
Online	2,406
CLA-contracts	26,401
Phono Single	24,067
Fee's	1,792
Total	204,971

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 a restructuring process in 2017 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 chose 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 8 May 2019.

8.4 Executive bodies of NCB 2018

Board of Directors

Cato Strøm, Managing Director (Chairman)
Guðrun Björk Bjarnadóttir, General Manager (Vice-chairman)
Karsten Dyhrberg Nielsen, CEO
Risto Salminen, CEO
Anders Lassen, Managing Director

Appointed by TONO
Appointed by STEF
Appointed by STIM
Appointed by Teosto
Appointed by Koda

Audit Committee

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

Auditor

Deloitte Statsautoriseret Revisionspartnerselskab

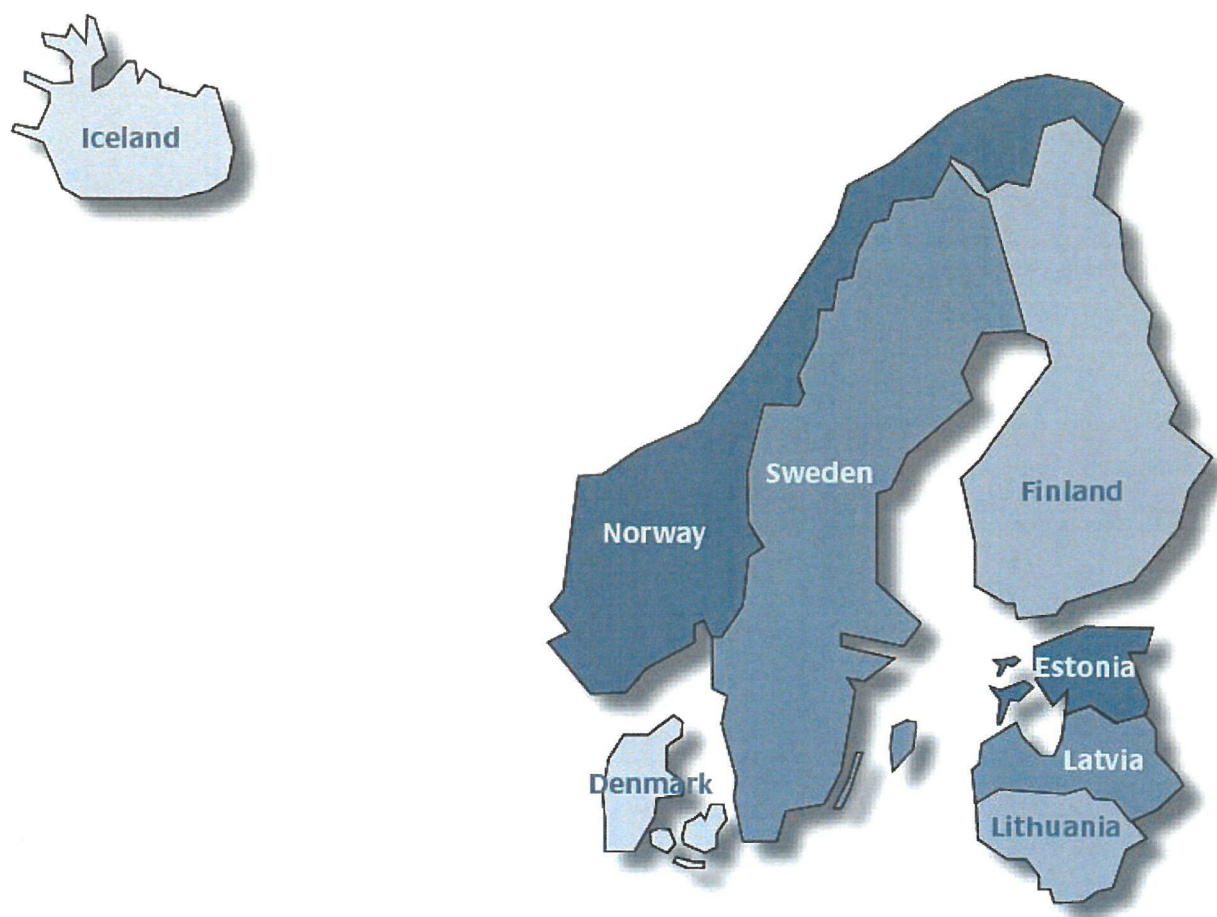
Executive Management

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 2018

NCB's Annual Report 2018 is attached to this Annual Transparency Report on the following pages.



Deloitte
Statsautoriseret
Revisionspartnerselskab
CVR-nr. 33963556
Weidekampsgade 6
Postboks 1600
0900 København C

Phone 36 10 20 30
Fax 36 10 20 40
www.deloitte.dk

**Nordisk Copyright Bureau
(ncb)**

Lautrupsgade 9
2100 København Ø
Business Registration No
22133314

Annual report 2018

The Annual General Meeting adopted the annual report on 08.05.2019

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: 01.01.2018 - 31.12.2018

Board of Directors

Cato Strøm, , Chairman (TONO)
Gudrun Björk Bjarnadóttir, Vice-chairman (STEF)
Anders Lassen, (Koda)
Karsten Dyhrberg Nielsen, (STIM)
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 01.01.2018 - 31.12.2018.

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 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018.

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, 22.03.2019


Board of Directors




Søren Enevoldsen,
Chairman (FONC)




Karsten Østergaard Nielsen
(SAM)



Gudrun Bygh, Bjarnasølle
Vice chairman (SEF)



Peter Malmrosen
(IF-13740)



Anders Lørdal
(Koda)

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 01.01.2018 - 31.12.2018, 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 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018 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, 22.03.2019

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 831k 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 2018

	Notes	2018 DKK'000	2017 DKK'000
Revenue		20.269	22.514
Other operating income		752	904
Other external expenses		(20.539)	(20.994)
Gross profit/loss		482	2.424
Staff costs	1	(134)	(3.073)
Depreciation, amortisation and impairment losses		(115)	(172)
Operating profit/loss		233	(821)
Income from investments in associates		2.153	2.122
Other financial income	2	3.512	3.019
Other financial expenses	3	(5.067)	(3.236)
Profit/loss before tax		831	1.084
Tax on profit/loss for the year		0	(4)
Profit/loss for the year		831	1.080
Proposed distribution of profit/loss			
Retained earnings		831	1.080
		831	1.080

Balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017 DKK'000
Acquired licences		101	216
Intangible assets	4	101	216
Investments in associates		19.850	22.697
Deposits		0	1
Fixed asset investments	5	19.850	22.698
Fixed assets		19.951	22.914
Trade receivables		5.470	9.981
Receivables from associates		1.813	1.807
Other receivables		2.202	2.111
Prepayments		176	0
Receivables		9.661	13.899
Other investments	6	172.367	224.581
Other investments		172.367	224.581
Cash		80.830	95.293
Current assets		262.858	333.773
Assets		282.809	356.687

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Retained earnings		38.185	37.354
Equity		38.185	37.354
Prepayments received from customers		14.512	14.466
Trade payables		2.023	6.430
Other payables		14.347	20.251
Deferred income	7	213.742	278.186
Current liabilities other than provisions		244.624	319.333
Liabilities other than provisions		244.624	319.333
Equity and liabilities		282.809	356.687
Contingent liabilities	9		
Related parties with controlling interest	10		

Statement of changes in equity for 2018

	Retained earnings DKK'000
Equity beginning of year	37.354
Profit/loss for the year	831
Equity end of year	38.185

Cash flow statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Operating profit/loss		233	(821)
Amortisation, depreciation and impairment losses		115	172
Working capital changes	8	(70.470)	(90.617)
Cash flow from ordinary operating activities		(70.122)	(91.266)
Financial income received		3.512	3.019
Financial expenses paid		(5.067)	(3.236)
Cash flows from operating activities		(71.677)	(91.483)
Dividends received from associates		5.000	5.000
Cash flows from investing activities		5.000	5.000
Increase/decrease in cash and cash equivalents		(66.677)	(86.483)
Cash and cash equivalents beginning of year		319.874	406.357
Cash and cash equivalents end of year		253.197	319.874
Cash and cash equivalents at year-end are composed of:			
Cash		80.830	95.293
Securities		172.367	224.581
Cash and cash equivalents end of year		253.197	319.874

Notes

	2018	2017
	DKK'000	DKK'000
1. Staff costs		
Wages and salaries	109	2.839
Other staff costs	25	234
	134	3.073
 Average number of employees	 0	 22

In 2017, Nordisk Copyright Bureau had 22 employees.

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 12 FTEs and 2 part time employees working 100% on the collection, license and finance on behalf of NCB. Additionally, Koda has delivered 2,500 working hours involving 22 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 2018, the expense for this service amounts to DKK 10.8 million equivalent to 12 to 14 FTEs. NCB owns 50% of NMP.

Notes

	2018	2017
	DKK'000	DKK'000
2. Other financial income		
Other interest income	3.512	2.931
Fair value adjustments	0	88
	3.512	3.019

	2018	2017
	DKK'000	DKK'000
3. Other financial expenses		
Exchange rate adjustments	817	731
Fair value adjustments	4.250	2.505
	5.067	3.236

	Acquired licences DKK'000
4. Intangible assets	
Cost beginning of year	345
Cost end of year	345
Amortisation and impairment losses beginning of year	(129)
Amortisation for the year	(115)
Amortisation and impairment losses end of year	(244)
Carrying amount end of year	101

Notes

	Invest- ments in associates DKK'000	Deposits DKK'000
5. Fixed asset investments		
Cost beginning of year	31.207	1
Disposals	0	(1)
Cost end of year	31.207	0
Impairment losses beginning of year	(8.510)	0
Share of profit/loss for the year	1.667	0
Adjustment of intra-group profits	486	0
Dividend	(5.000)	0
Impairment losses end of year	(11.357)	0
Carrying amount end of year	19.850	0

6. Other investments

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

7. Deferred income

Undistributed consist of:

Undistributed royalties (Bifrost), net of DKK 158.644k (2017: DKK 215.771k)

Undistributed royalties (ASW Online), DKK 51.180k (2017: DKK 57.416k)

Undistributed royalties (Others), DKK 3.918k (2017: DKK 4.998k)

Total of DKK 213.742k (2017: DKK 278.186k)

	2018 DKK'000	2017 DKK'000
8. Change in working capital		
Increase/decrease in receivables	4.239	(928)
Increase/decrease in trade payables etc	(74.709)	(89.689)
	(70.470)	(90.617)

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.

Notes

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 10.766 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

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 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.

Accounting policies

Prepayments received from customers

Prepayments received from customers comprise online collections on behalf of owner Societies and prepayments from standard producers.

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 holders 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.