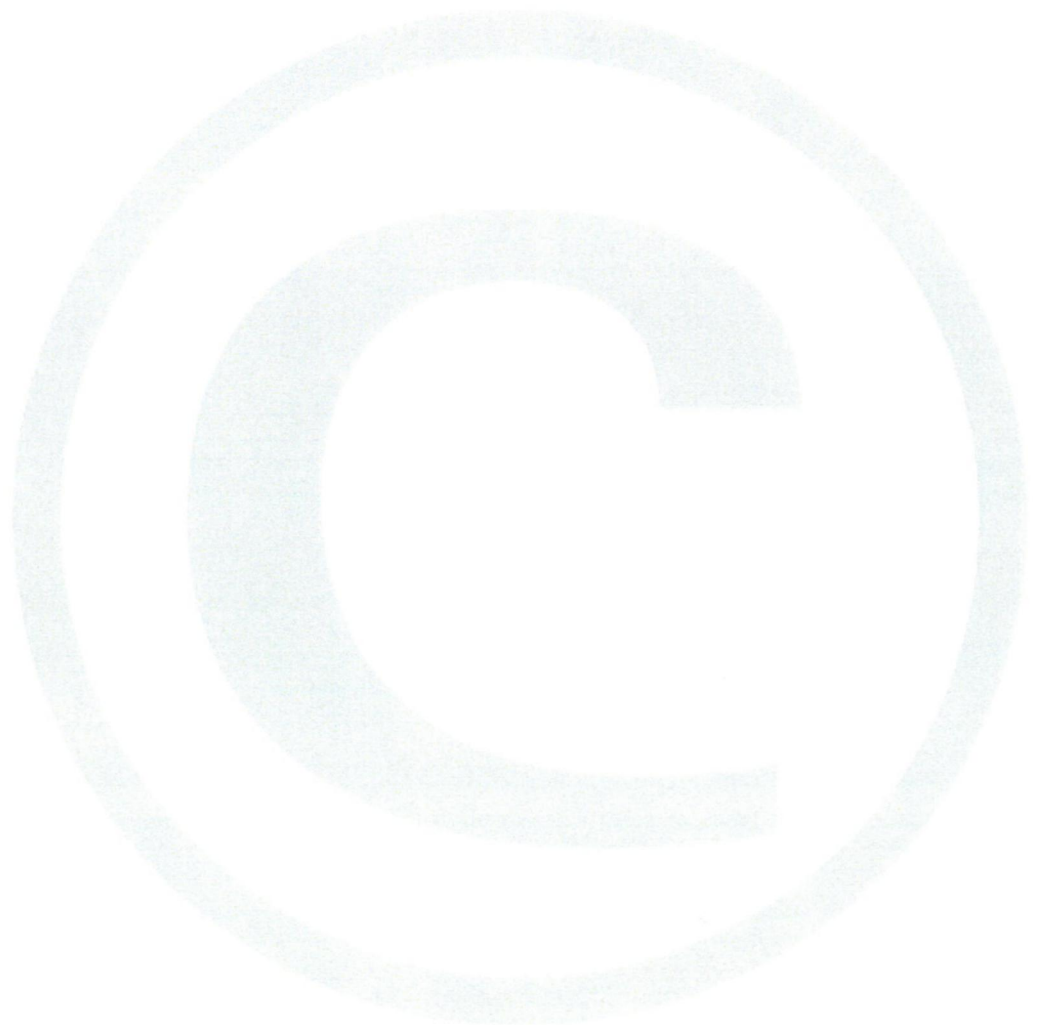


NCB 2019

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 2019.

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

2019 has been a very good year for NCB. NCB has now settled in the outsourced setup and it is working well. We have been focusing on streamlining and optimization of our processes. The mechanical market continues to decline except for synchronization; and NCB will continue to focus on how to structure the administration of the mechanical rights in the Nordics in the best possible way. Despite the decline in the mechanical market NCB has had a very good financial year.

NCB is challenged by double taxation in Germany regarding the amounts collected by GEMA on behalf of NCB. It has not been possible for NCB to obtain an approval from the German tax authorities, and we have appealed the decision. However, we felt that we could not wait for an approval by the German Tax Authorities, and therefore we have received the royalties less tax from GEMA in 2019. We hope for an approval of the Germany Tax Authorities, so we can receive and distribute the withheld tax.

In 2019 NCB has been distributing old online royalties in accordance with reference repertoire. This has been a long process, but we are very pleased that we succeeded.

NCB has been focusing on streamlining and optimizing our processes and administration. We have been going through all our setups and processes to be able to continue to create value for our members and rightsholders. This has led to NCB developing a new Inventory Sales Agreement for small standard producers which did not belong under the standard agreement processes any longer. This way they can terminate their stock under the agreement and any new releases will be licensed individually through our work-by-work license.

From 2018 to 2019, the synchronization area saw an increase in collections from DKK 20,5 million to DKK 22,3 million. The growth mainly stems from TV, especially the TV drama category. NCB has been working on making broader, yearly agreements with bigger customers, in order to make the handling of sync more efficient. Automation of several administrative processes has also been an important focus for the sync team, as the handling of sync currently requires quite a bit of manual handling.

All in all, NCB has had a very good financial year despite the general decline in the mechanical offline market, and we continue to focus on optimizing our processes and licensing to create value for our members and rightsholders through the best and most efficient administration of the mechanical rights.

2 • Financial information

2.1 Profit and loss account

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

2.2 Balance sheet

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

2.2 Balance sheet (continued)

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

2.3 Statement of changes in equity

	Retained earnings DKK'000
Equity beginning of year	38.185
Profit/loss for the year	4.667
Equity end of year	42.852

2.4 Cash flow statement

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

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	1.589.800	6.070.236	1.166.979	10.643.615	1.154.264	3.039.637	34.225	719.208		24.417.964
Norway	1.418.342	5.761.173	958.423	15.045.250	417.880	6.580.884	2.858.964	503.735		33.544.651
Sweden	1.584.069	15.011.338	2.472.482	5.076.019	467.454	5.157.408	3.279.930			33.048.700
Finland	1.139.681	12.323.996	2.237.340	5.907.313	557.587	6.156.537	1.655.202			29.977.655
Iceland	203.388		110.944	21.928	8.471	26.608				371.340
Lithuania			68.202	147.363						215.564
Estonia			528.192	526.809		1.374.631	94.434			2.524.065
Latvia	47.934			282.761						330.695
Foreign								65.039.148		65.039.148
Total	5.983.214	39.166.743	7.542.562	37.651.058	2.605.656	22.335.705	7.922.754	1.222.943	65.039.148	189.469.783

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	3,16%	20,67%	34,33%	3,98%	19,87%	11,79%	1,38%	4,83%	100,00%
Royalties collected incl. Performing	5.983	39.167	65.039	7.543	37.651	22.336	2.606	9.146	189.470
Royalties distributed incl. performing Nett	4.637	33.147	29.780	5.348	53.870	16.466	3.894	38.147	185.290
Income:									
Commission	1.020	4.516	4.006	1.215	3.917	3.625	876	8.937	28.111
Other - Income	17	114	189	22	109	65	8	27	551
Total Income	1.037	4.630	4.195	1.237	4.027	3.689	884	8.963	28.662
Expenses:									
Staff	2	14	23	3	13	8	1	3	66
External expenses	68	442	734	85	425	252	29	103	2.139
Expenses owner societies	253	1.653	2.745	318	1.589	943	110	386	7.998
Expenses NMP	391	2.559	4.249	493	2.460	1.459	170	598	12.379
Total expenses	713	4.668	7.752	899	4.487	2.662	311	1.090	22.582
EBITDA (earnings before int. tax, dep & amort)	324	-38	-3.557	338	-461	1.027	573	7.873	6.080
Depreciations	-3	-21	-35	-4	-20	-12	-1	-5	-101
Restructuring costs	0	0	0	0	0	0	0	0	
EBIT (earnings before int. & tax)	321	-59	-3.592	334	-481	1.015	572	7.868	5.979
Net - Financial income	-66	-431	-716	-83	-415	-246	-29	-101	-2.086
Profit from investments	25	160	266	31	154	91	11	37	776
EBT (earnings before tax)	279	-330	-4.041	282	-741	861	554	7.805	4.669
Tax	0	0	0	0	0	0	0	0	0
Profit & Loss	279	-330	-4.041	282	-741	861	554	7.805	4.669

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	161.654			17.367	8.176				187.197
AEPI	GR									0
AGADU	UY									0
AKKA/LAA	LV	455			4.725	176.112				181.292
AMCOS	AU	3.053			2.062.812	61.063		1.124		2.128.052
ARTISJUS	HU				804	5.355	4.871	78.154		89.184
AUME	AT	3.852		684.493		349.460		431.189		1.468.995
CASH	HK			705	223.301					224.006
GEMA	DE	4.152.290		28.753	5.253.044	24.556.660	4.703	10.258.024		44.253.475
HARRY FOX	US				613.948	354.916				968.865
HDS	HR									0
JASRAC	JP	211.592		13.718	542.445	519.304	1.045	89.434		1.377.539
KOMCA	KR			69	408.327	174.064		11		582.470
MCPS	GB	92.865		701.023	2.644.048	890.296		365.588		4.693.821
MCSC	CN			30.603			6.897			37.500
MESAM	TR					1.624				1.624
MUSICAUTOR	BG									0
ONDA	DZ									0
OSA	CZ	60.351		1.922	3.344	12.200		52.709		130.526
SABAM	BE				32.662	144.042		272.205		448.909
SACM	MX									0
SADAIC	AR				35.845	3.620				39.465
SAYCO	CO					3.740				3.740
SAZAS	SI					5.484				5.484
SACEM	FR	73.997			3.460.406	455.573	28.029	74.105		4.092.108
SAMRO	ZA									0
SCD	CL									0
SGAE	ES	4.084			95.494	73.433	91.068	390.164		654.243
SIAE	IT									0
SODRAC	CA	38.092			163.838	26.931		11.685		240.546
SOKOJ	RS									0
SOZA	SK	1			42	2.221		34.526		36.790
SPA	PT	256			16.295	24.740	36.015	62.718		140.025
STEMRA	NL	110.424			340.795	503.935	273.006	1.275		1.229.434
SUISA	CH	201.259		289.967	185.468	118.611	177.929	619.988		1.593.222
RAO	RU				1.603					1.603
U.C.M.R.	RO	42		5.530	616	6.832	7.248		48	20.315
UBC	BR			521		138.466				138.987
ZAIS	PL	36.297			20.095	13.342				69.734
Total		5.150.564	0	1.757.305	16.127.325	28.630.202	630.809	12.742.898	48	65.039.150

All amounts in DKK

4 • Distribution of royalties

4.1 Method and distribution frequency

NCB distributes twice a year in June and December. However, NCB also had an extraordinary distribution in September due to the double taxation case in Germany, where we distributed CLA and foreign income from GEMA.

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	755.445	2.833.126	726.383	5.405.451	752.053	1.571.528	5.768.723	6.633.053	24.445.762
Norway	909.865	760.603	530.018	4.474.129	225.539	2.995.838	5.827.694	6.110.681	21.834.367
Sweden	1.637.745	25.000.587	1.935.182	27.218.846	1.236.305	8.524.875	13.033.819	18.478.491	97.065.850
Finland	756.158	3.521.276	1.177.024	3.058.120	692.413	2.872.857	4.310.487	5.406.686	21.795.020
Iceland	120.123	4.292	114.933	134.683	2.287	7.903	360.265	220.427	964.913
Lithuania	44	321	33.503	15.655	67		67.615	26.014	143.218
Estonia	6.845	9.869	339.138	234.731	716.225	90.636	134.659	116.834	1.648.937
Latvia	41.347	533	19.174	44.131	396	17	47.849	14.702	168.149
Internal acc					783		228.475	492	229.749
Foreign soc.	409.091	1.016.834	472.650	13.284.734	267.963	402.243		1.140.118	16.993.633
Total	4.636.662	33.147.440	5.348.005	53.870.480	3.894.031	16.465.897	29.779.585	38.147.498	185.289.597

4.3 Distribution per category and commission rates

Royalties distributed per category:

Distributed amounts	Nett amount DKK	Commission DKK	Fixed Rate	Calculate Rate
AV Mechanisation	3.894.031	876.282	18%	18,4%
AV Synchronisation	16.465.897	3.624.530	18%	18,0%
CLA	33.147.440	4.515.928	12%	12,0%
Foreign	29.779.585	4.005.514	12%	11,9%
Lumpsum/incl. DR,TV2, KNR and NRK	38.146.769	12.855.163	25%	25,2%
Online	53.870.480	6.311.025	10%	10,5%
Phono Single License	5.348.005	1.215.282	18%	18,5%
Phono Standard License	4.636.662	1.019.513	18%	18,0%
Radio/TV	728	160	18%	18,0%
Online comm. return	0	-2.393.945		
Comm. return to Balticum	0	-3.918.582		
Total	185.289.597	28.110.869		13,2%

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	3.007	1.155	946	13.671	110	82			1.546	20.518
ABRAMUS	BR										-
ACDAM	CU	7	68	475	644						1.193
ADDAF	BR	81	47			6					134
AEPI	GR	101	804	559	7.679	7	490			533	10.173
AGADU	UY	15	0	18			96				129
AKM	AU				23.227					728	23.955
AMAR	BR	161	1	2		7	303				474
AMCOS	AU	1.174	4.000	1.467	46.541	1.312	7.108			6.351	67.953
AMRA	US	268	4.904	86	168.697	580	604			11.935	187.073
APA	PY										-
APRA	AU				364.359					38.377	402.736
ARTISJUS	HU	647	908	533	6.479	769	16			82	9.435
ASCAP	US				2.877.786					188.770	3.066.555
AUME	AT	13.680	19.980	3.498	17.895	1.559	882			1.575	59.070
BMI	US				3.072.887					144.367	3.217.254
BSDA	SN				780						780
BUMA	NL				347.263					65.031	412.294
CASH	HK	76		48	50	22					196
CMRRA	CA										-
COTT	TT										-
GEMA	DE	103.627	223.545	175.037	683.254	54.703	60.996		2	142.342	1.443.505
HARRY FOX	US										-
HDS	HR	27	1.189	152	2.142		564			32	4.107
IMRO	IE				67.753					2.193	69.946
IPRS	IN										-
JACAP	JM				665						665
JASRAC	JP	5.992	2.084	1.282	9.667	21.300	225			10.504	51.055
KOMCA	KR	15	72		4.449	9	315			7.798	12.657
MCPS	GB	130.647	318.955	123.589	671.778	54.486	82.484		3	125.715	1.507.657
MCSC	CN		0		15	742					758
MESAM	TR	1.220	55		710	10				9	2.005
MSG	TR	0	6	18	7.117	3	392			45	7.581
MUSICAUTOR	BG	171		410	294	1	165				1.040
ONDA	DZ										-
OSA	CZ	377	567	277	1.879	7.672				3.442	14.214
PAM	ME		22		130						152
PRS	GB				2.937.074					110.291	3.047.365

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SABAM	BE	16.083	13.723	7.993	105.952	7.408	8.904		51.548	211.610
SACM	MX	150	557	33	1.258	15			18	2.032
SADAIC	AR	854	1.374	514	9.418	328	1.973		1.546	16.007
SAYCO	CO			9	239					248
SAZAS	SI	1.095	25		409	8			3.241	4.778
SACEM	FR	32.306	158.007	25.973	414.912	57.839	74.045		65.039	828.120
SACVEN	VE									-
SAMRO	ZA				1.589				142	1.731
SARRAL	ZA									-
SBACEM	BR	58	5	66		3				131
SCD	CL	35	118		1.289	9	69		20	1.539
SGAE	ES	4.789	23.128	5.914	65.821	15.339	6.033		7.350	128.374
SIAE	IT	15.111	78.935	21.294	168.829	13.785	26.296		17.976	342.228
SESAC	US	33.837	61.232	9.343	274.256	914	1.264		17.939	398.784
SOBODAYC	BO									-
SODRAC	CA	4.236	24.340	759	19.442	5.829	3.105		14.219	71.930
SOCAN	CA				438.626				32.617	471.243
SOCINPRO	BR									-
SOKOJ	RS	18	1.077	91	6.800	7			299	8.292
SOZA	SK	6	1		249					255
SPA	PT	335	2.655	153	4.923	11	1.400		43	9.520
STEMRA	NL	21.454	49.837	80.575	284.873	14.657	115.755		47.854	615.005
SUISA	CH	4.591	17.879	5.829	118.824	2.680	6.851		13.052	169.704
RAO	RU	8.526	3.767	5.168	1.399	1.032	1.035		3.282	24.209
UACRR	UA		266						93	360
UBC	BR	702	33		11					745
U.C.M.R.	RO	42	392	88	19.301	117	142		547	20.628
ZAMP	MK		366	36					12	415
ZAIS	PL	3.571	756	417	11.432	4.686	649		1.608	23.119
Total		409.091	1.016.834	472.650	13.284.734	267.963	402.243	-	5	1.140.113
										16.993.633

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 2019

Table by type of use:

DKK 000	Before 2019	2019	Total
AV Mechanisation	3.593	1.314	4.907
AV Synchronisation	4.627	6.684	11.311
CLA	5.905	4.542	10.447
Foreign	19.793	12.603	32.396
Online	39.242	3.443	42.685
Phono Single License	7.388	3.100	10.488
Phono Standard	5.419	1.073	6.492
Radio/TV	-	39	39
Other	379	39	418
In Finance system:			
Online	14.794		14.794
Other	24.215		24.215
	125.355	32.837	158.192

Table by type of delay:

DKK 000	Before 2019	2019	Total
Invoiced but not paid	8.691	3.827	12.518
<i>*55% of the amount consist of Online await clarification</i>			
Ready for distribution	6.620	5.738	12.358
<i>*11% of the amount consist of Online with missing work documentation.</i>			
Missing work documentation	10.635	2.941	13.576
Dispute	12.814	2.426	15.240
Shares on work	2.577	1.089	3.666
Other	2.020	1.438	3.458
Partly distributed rest share is missing	24.826	13.599	38.425
Carve out protection pct has changed	14.339	1.469	15.808
<i>*100% Online</i>			
Other	3.824	310	4.134
In Financesystem:			
Online	14.794		14.794
Other	24.215		24.215
	125.355	32.837	158.192

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	1.275.288
EUR	106.480
ISK	9.249
NOK	275.621
SEK	999.585
Total	2.666.223

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	22.264
Foreign	8.257
AV Synchronisation	124.477
AV Mechanisation	8.526
Online	282.862
CLA-contracts	105.528
Phono Single	17.210
Fee's	1.704
Total	570.828

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 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.

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 X May 2020.

8.4 Executive bodies of NCB 2019**Board of Directors**

Karsten Dyhrberg Nielsen, CEO (Chairman)

Guðrun Björk Bjarnadóttir, General Manager (Vice-chairman)

Cato Strøm, Managing Director

Gorm Arildsen, Managing Director

Risto Salminen, CEO

Appointed by STIM

Appointed by STEF

Appointed by TONO

Appointed by Koda

Appointed by Teosto

Audit Committee

Jacob Morild, Lyricist

Asbjørn Schaathun, Composer

Jari Muikku, Executive Director

Hans Gefors, Composer

Auditor

Deloitte Statsautoriseret Revisionspartnerselskab

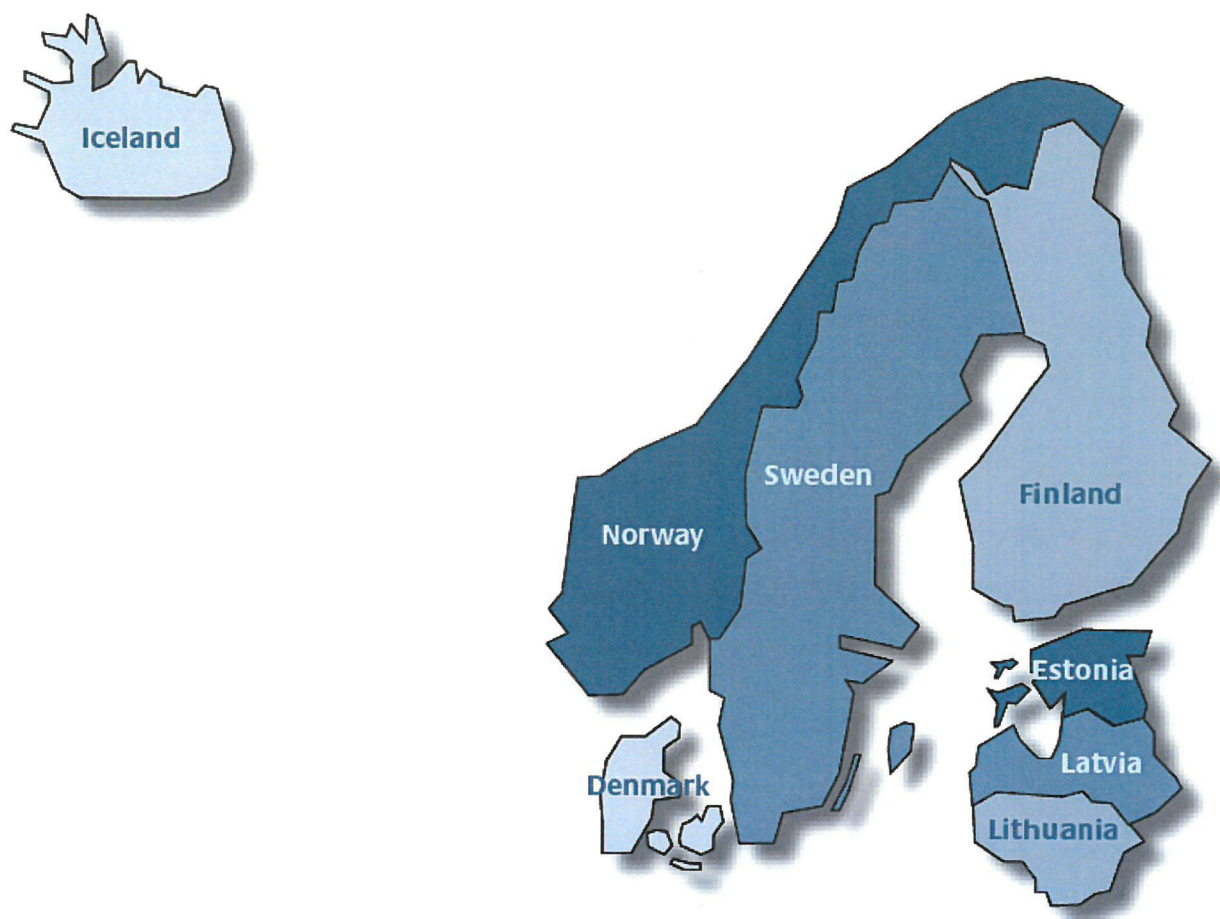
Executive Management

NCB has no executive management, since its activities are outsourced to Koda, thus NCB is represented by the Chairman and/or the board of directors.

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 2019

NCB's Annual Report 2019 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 2019

The Annual General Meeting adopted the annual report on 17.06.2020

Chairman of the General Meeting


Name: Gudrun Björk Bjarnadóttir

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Independent auditor's report	3
Management commentary	6
Income statement for 2019	7
Balance sheet at 31.12.2019	8
Statement of changes in equity for 2019	10
Cash flow statement 2019	11
Notes	12
Accounting policies	15

Entity details

Entity

Nordisk Copyright Bureau (ncb)

Lautrupsgade 9

2100 København Ø

Central Business Registration No (CVR): 22133314

Registered in: København

Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Karsten Dyhrberg Nielsen, Chairman (STIM)

Gudrun Björk Bjarnadóttir, Vice-chairman (STEF)

Gorm Arildsen, (Koda)

Cato Strøm, (TONO)

Risto Salminen, (TEOSTO)

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

Postboks 1600

0900 København C

Statement by Management on the annual report

The Board of Directors have today considered and approved the annual report of Nordisk Copyright Bureau (ncb) for the financial year 01.01.2019 - 31.12.2019.

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

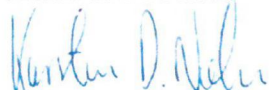
In our opinion, the financial statements give a true and fair view of the Society's financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

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

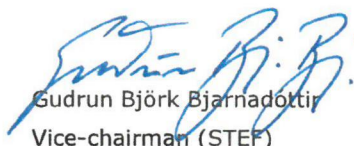
We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 23.03.2020

Board of Directors



Karsten Dyhrberg Nielsen
Chairman (STIM)



Gudrun Björk Bjarnadóttir
Vice-chairman (STEP)

Gorm Arildsen
(Koda)

Cato Strøm
(TONO)

Risto Salminen
(TEOSTO)

Statement by Management on the annual report

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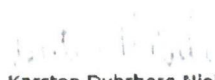
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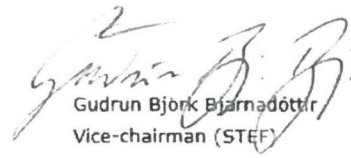
We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.


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

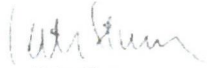
Copenhagen, 23.03.2020

Board of Directors


Karsten Dyhrberg Nielsen
Chairman (STIM)


Gudrun Björk Bjarnadóttir
Vice-chairman (STEF)


Gorm Arildsen
(Koda)


Cato Strøm
(TONO)

Risto Salminen
(TEOSTO)

Statement by Management on the annual report

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

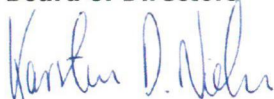
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We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

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

Copenhagen, 23.03.2020

Board of Directors



Karsten Dyhrberg Nielsen
Chairman (STIM)

Gudrun Björk Bjarnadóttir
Vice-chairman (STEF)

Gorm Arildsen
(Koda)



Cato Strøm
(TONO)

Risto Salminen
(TEOSTO)

Independent auditor's report

To the owners of Nordisk Copyright Bureau (ncb)

Opinion

We have audited the financial statements of Nordisk Copyright Bureau (ncb) for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Basis for opinion

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

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Society's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Societys's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Independent auditor's report

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

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

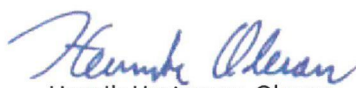
Copenhagen, 23.03.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR)
33963556



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



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

Management commentary

Primary activities

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

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

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

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

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

Development in activities and finances

The financial result of the Society is a profit of DKK 4.667k which is considered satisfactory.

Events after the balance sheet date

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

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

Income statement for 2019

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

Balance sheet at 31.12.2019

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

Balance sheet at 31.12.2019

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

Statement of changes in equity for 2019

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

Cash flow statement for 2019

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

Notes

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

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

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

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

Outsourcing from NCB to Koda.

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

Outsourcing from NCB to NMP

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

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

Notes

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

6. Other investments

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

Notes

7. Deferred income

Undistributed consist of:

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

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

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

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

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

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

9. Contingent liabilities

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

There are no other contingent liabilities.

10. Related parties with controlling interest

In accordance with the service level agreement between NMP A/S and NCB the Society has been invoiced an amount of DKK 12.379 k. The amount has been recognized in other external expenses.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class A enterprises.

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

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

Income statement

Revenue

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

Other operating income

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

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

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

Income from investments in associates

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

Other financial income

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

Other financial expenses

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

Accounting policies

Balance sheet

Intellectual property rights etc

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

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

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

Investments in associates

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

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

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

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

Receivables

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

Prepayments

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

Other investments

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

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

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

Prepayments received from customers

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

Accounting policies

Deferred income

Undistributed royalties includes unallocatable royalties and other undistributed royalties.

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

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

Cash flow statement

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

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

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

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

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