A WORD FROM THE CHAIRMAN

The original rationale behind the creation of NMP still holds today: Working together - to create higher value for the rights holder community.

In 2017, the clouds of uncertainty that have surrounded NMP gradually lifted. The new contract between PRS for Music and MCPS regarding the processing of recorded media was a milestone - not only for PRS but also for NMP. The long tender process with new, external bidders ended with a continuation of the NMP-solution. A testament to the quality of the systems and people of NMP who every day strive to create value for the rights holders by providing outstanding services and proof that NMP is able to compete with other entities in this area.

Towards the end of 2017, the three Polaris societies, TONO, Teosto and Koda, also decided to maintain their collaboration with NMP for online processing. This further reduced the uncertainty in NMP and the company can now for the first time in several years look into a future where its owners and major customers have committed to having their business in NMP for the next several years.

During 2017 and in spite of the abovementioned uncertainties, NMP continued to perform very satisfactory. Customer service improved, SLA’s were met and the financial results have again this year proved that the original rationale behind the creation of NMP still holds today. Working together – to create higher value for the rights holder community.
Our Mission

“We aim to deliver international copyright services in a transparent, reliable and cost efficient manner enabling our customers to maximise distributions to their members.”

Our Values

- We put customers first
- We are efficient
- We are solution oriented and innovative
- We are respectful and supportive
- We are loyal

Our Profile

- Established in 2012
- Servicing 10 societies in Europe
- Delivering services for online and offline customers using same IT platform
- Integrated with ICE copyright
- Employing 55 experienced and talented individuals
- Performing cross society work at multiple sites optimizing resource allocation
- Agile and entrepreneurial company culture
- 94% of customers would recommend NMP to other societies/partners
2017 was the year when a complex chapter in NMP’s history came to an end. It was also a year with very stable deliverables, good financial results and excellent feedback from customers.

In 2017 NMP celebrated its 5th year of operations. The UK/Nordic partnership has had an exciting journey filled with both significant successes seen in customer expansion but also filled with serious dealings questioning the very core of NMP’s continued existence.

It is no surprise that international collaborations are a complex matter. Adding operational responsibilities in a highly disrupted industry makes it no less challenging. NMP’s main challenge has been in the uncertainty of the evolution of managed portfolios. However, I am proud to say that throughout our 5-years of operations, NMP has delivered measurable results to societies and their members as well as to NMP’s shareholders. Our persistent focus on customer relations, on reducing cost by working smarter and more efficiently, has led to clear financial results making NMP a natural part of the music industry’s exciting future. Furthermore, results have led to the NMP partnership being proof that international collaborations, albeit complex, are essential in realizing the vision of a truly global and efficient music industry based on advanced technology and streamlined processes.

Without doubt, the single most important event for NMP in 2017 was MCPS’ decision to renew collaboration with PRS for another 5 years. Not only did this decision provide certainty of continued service provision and more stable outlook but the decision also confirmed a continued Nordic/UK partnership. As the value of the MCPS business compromises 50% of total value processed by NMP, the period of MCPS tender can only be summarized as NMP’s most challenging chapter yet. Therefore, the fantastic news of the renewed MCPS/PRS collaboration immediately injected the NMP organisation with new confidence and eagerness to show even more value.

Financially, 2017 was yet another solid year for NMP and its shareholders. Revenues were 25% above budget while costs came in 5% below budget leading to a profit of Dkk 4m.

In 2017, NMP’s total portfolio constituted 62% of offline business and 38% online business. In total, collections managed by NMP increased by 5% compared to budget. Online collections grew by a noteworthy 21% in relation to budget, an increase of 16% compared to 2016. As expected the mechanical offline portfolios declined in 2017. Compared to 2016, MCPS’ collections are 11% lower and NCB’s 40% lower.

During the latter half of 2017 the Finnish, Danish and Norwegian societies (Teosto, Koda and Tona) evaluated strategic options for their future online administration. Their evaluation was a serious matter for NMP as the online business is the key growth area for NMP and if transferred, risk of far less cost-efficient services and ultimately risk of less stable operations resulting from lost synergies, were projected.

Fortunately, their announcement of continued service collaboration with NMP came at the end of 2017. Therefore, I am particularly delighted to say that NMP managed to not overcome one but two major challenges within the same year.
“Results have led to the NMP partnership being proof that international collaborations, albeit complex, are essential in realizing the vision of a truly global and efficient music industry based on advanced technology and streamlined processes.”

— MALIN JONSSON
In an industry undergoing radical change as a result of globalization and digitalization, the idea of forming strategic alliances through international partnerships was born within NMP’s owner societies, NCB (the Nordic mechanical hub) and the PRS/MCPS alliance some 10 years ago. To be prepared for coming demands in the increasingly tech-heavy music industry, the option to collaborate with each other was explored further by the two parties. More specifically, forming a joint venture predominantly to meet upcoming challenges within the mechanical offline business by sharing human and IT resources across borders, became the idea behind NMP. In late 2012, following a nearly 2-year long program of adapting NCB’s IT platform Bifrost with UK business requirements, the 50/50-% owned joint venture organisation was formed between PRS for Music and NCB. Operations commenced in late 2012 with the transfer of employees in London and Copenhagen to NMP and along with it the on-boarding of the MCPS business onto the Nordic IT-platform.

In 2017 Network of Music Partners, the joint venture between PRS for Music and the Nordics (NCB), celebrated its 5th birthday. The 5-year journey has been filled with successes as well as serious challenges.

MCPS announces long term administration deal with PRS

The Mechanical Copyright Protection Society Limited (MCPS), the UK collection society that licenses mechanical copyrights on behalf of over 26,000 music publisher and composer members, has announced a long term administration deal with PRS.

On 1st April 2016 MCPS published a Request for Proposals (RfP) inviting third parties to tender for administration of areas of its business and all back-office operations. This agreement marks the conclusion of that process and the beginning of a new phase in MCPS’s relationship with PRS for Music.

Established in 1924, and owned by the Music Publishers Association, MCPS joined an operational alliance with the Performing Right Society Limited in 1997, known as the MCPS-PRS Alliance. The two organisations announced the restructuring of their partnership in 2013 – with MCPS moving to its current status as a client of PRS for Music, and with MCPS appointing its own small management team to oversee the relationship. Since mid-2013 the business has stabilised and growth returned to MCPS during 2016.

MCPS received multiple responses to the RfP. These responses were then shortlisted and reviewed by a team which included external advisors, management, the MCPS Board and dedicated groups and committees made up of a variety of MCPS members including publishers and composers.

The RfP’s key objective has been to identify the best service for MCPS members, with contractual performance measurements against which that service can be monitored and delivered at a cost efficient price. The RfP process has identified necessary licensing, processing, invoicing and distribution requirements within the MCPS business which will be measured against key performance indicators.

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Network of Music Partners (NMP) Celebrates 5 Years

In 2017 Network of Music Partners, the joint venture between PRS for Music and the Nordics (NCB), celebrated its 5th birthday. The 5-year journey has been filled with successes as well as serious challenges.

Established in 1915, the Nordic Copyright Bureau (NCB) is a longstanding hub formed as a Nordic collaboration established in 1915. The Nordics were early adapters in seeing benefits of collaborating as the Nordic societies agreed to joint administration in a multi-territorial processing setup using a modern flexible IT-system named Bifrost.

The Nordic platform Bifrost became a perfect fit to on-board more societies gaining significant synergies and economy of scale by ensuring effective handling of mechanical back-office processing for years to come.
Key highlights of NMP’s journey:

2012 (Nov)  
NMP is officially launched, commencement of operations.  
Former PRS employees and all NCB IT and offline operations staff transfer into NMP.

2013 (Jul)  
Operations stabilized with strongly automated processes.

2014 (May)  
All NCB online and business consultants transfer into NMP, NMP team 65+ FTEs.

(Sept)  
Cost reductions reached to align Nordic offline decline in recent years.

(Dec)  
New deal with ICE/Buma Stemra signed.

2015 (Mar)  
Commencement of services to Buma/Stemra.

(Oct)  
Transitions of all Nordic services to ICE copyright, NordDoc decommissioned.

(Nov)  
NMP relocation and re-branding through new logo, new website, new offices.

2016 (Jan)  
Transfer of financial responsibility for Polaris online, new finance department in place.

(Mar)  
NMP pitches on opportunity for more offline collaboration.

(April)  
MCPS announcement of RfP. NMP partnership at risk pending outcome of tender.  
In parallel, NCB’s future administration under loop.

(Aug)  
Strengthening of NMP’s leadership team.

(Dec)  
Solid financial result as Polaris online grows and costs sustained.

2017 (Jan)  
MCPS announces extended RfP process.

(Feb)  
Polaris announces evaluation of future online processing.

(May)  
MCPS renews long-term deal with PRS. NCB staff transfer to Koda.

(Dec)  
Polaris decides to continue online processing through NMP.  
Growth in online and sustained costs leads to stable financial result.
As in most service organisation, putting customers first is a natural priority. In an industry with vast amount of change and high degree of uncertainty, strong alliances with customers is an optimal way to adapt quickly to changing demands from the outside. It is also an ideal way to seek new opportunities together. Therefore, NMP made a commitment of enhancing customer satisfaction during 2017.

Throughout the year, various customer focused initiatives were identified hereunder training “front-line” employees to embrace customer needs and demonstrate sense-of-urgency whenever necessary. Also, improved dialog with customers and on-time deliverables using agile methods and a “can-do” attitudes, were prioritized and delivered throughout the year. In December 2017 our initiatives were evaluated as NMP asked a large number of customers for their direct feedback.

Nothing is more satisfying than realizing efforts leading to good results! A recently conducted survey confirmed that our customers are satisfied as 94% of customers confirm willingness to recommend NMP as a back-office provider in the industry.

Naturally, NMP celebrates this good result but we also realize the need to remain humble in our changing industry: Satisfaction may vary greatly, sometimes without our direct control, and thus we “humbly” thank our customers for their excellent feedback, allowing us to grow even further in our role as service agents but we also acknowledge the need to continue high-levels of satisfaction.

COMING TOGETHER IS A BEGINNING, STAYING TOGETHER IS PROGRESS, AND WORKING TOGETHER IS SUCCESS.

— HENRY FORD
97% say quality of service is satisfying. 94% is likely to recommend us. 90% say NMP responds well on urgent matters. 90% say NMP’s knowledge level is good. 83% say NMP delivers against set SLA.
RAPID ONLINE GROWTH

Having experienced steady growth in the managed online portfolios during 2016, NMP has been pleased to see this growth continue throughout 2017. In fact, the NMP managed online portfolios grew by 16% in relation to 2016 and were 21% over 2017 budget.

Despite the growth of data resulting from the increased online portfolios, NMP’s online processing is heavily automated and did therefore not lead to more operational cost than previous years. In fact, the online team managed the challenges of more usage files, more processing of various file formats, the on-boarding of new DSP’s as well as larger amount of support cases to customers, within the same allocated cost levels as previous years.

In 2018, the team plans to continue international engagement through TOWGE and DDEX contributing to the industry’s move in the right direction of handling the explosion of data whilst allowing NMP to continue to be in position to implement business change in an agile and qualitative manner. With increased data volumes, meta data quality and on-time works registration remain key aspects in efficient matching, a pre-requisite for swift payment to members.

On a final note, during 2017 the team worked closely with customer on co-defined actions enhancing transparency and operations in front- and back-office areas. These co-defined actions not only led to valuable solution being delivered by also served as an inspiration of jointly acting in the best interest of rightsholder by bringing knowledge and people closer together. The NMP team looks forward to continuing this journey with customers.

Martin Bynge
Customer Relationship Manager, NMP Online
EFFORTS TO RELEASE MONEY IN SUSPENSE

As part of NMP’s ultimate goal and mission to maximize distributions for our customers, one of our key initiatives during 2017 has been looking at why some monies are not flowing through for distribution as quickly or effectively as they should be, either because they are held in suspense in our systems or not collected from licensees, and then identifying areas for improvement. Following in depth analysis into these values and processes surrounding them, the two main focus areas for improvement have been on ensuring copyright data is clean and up to date and on improving match processes to reduce un-matched amounts.

Together with our customers and our partner ICE, we have worked closely analysing our joint processes and implemented a series of improvements to maximize distributions. Firstly, additional routines have been added into our matching processes against the ICE copyright database to ensure the most up to date and authoritative works data available is being used. We have also been working closely with ICE on prioritising works for updating and consolidating in order to ensure the copyright picture is correct for all territories. Finally, a number of improvements have been made to our matching algorithms to enhance the accuracy and performance of the auto-match, thus reducing the amounts related to un-matched transactions.

These initiatives have enabled us to make significant improvements to the flow of royalties by reducing the amounts getting held in suspense for different reasons, and we will thoroughly track the progress and development of reduced suspense amounts together with our customers going forward, constantly evaluating and looking at ways to improve and ensure speedy distributions.

Mark Stevens
Director of Offline Services

KEY IT INITIATIVES IN 2017

One of the most important aspects of 2017 within IT was the investment in a new powerful server. The investment in new technology enabled NMP to ensure adequate capacity to sustain not only stable back office services despite rising data volumes but also working more efficiently by reducing runtime and manual interference in daily operations.

Another important initiative on our roadmap for 2017 was implementing a new business intelligence solution. This initiative continuous to be part of our roadmap for 2018. In 2017 we decided on the right business partner, a vendor named Microsoft’s Data and Analytics Partner of the Year. NMP IT has chosen a cloud platform architecture for the new business intelligence solution and in 2018 we are certain that NMP will enhance dialog with customers by providing them more transparency into their portfolios, distributions and other information of data flowing through each step of the business processes. Naturally, the BI project will have high priority throughout 2018.

Finally, operating in a complex industry means stable operations depend heavily on knowledgeable staff. Therefore, securing knowledge within NMP is always something the management group is prioritizing. Therefore, in 2017 we re-organized the IT team by hiring a new business expert to our team. Also, a new developer joined our team to ensure transfer of knowledge within IT, an important aspect in sustaining agility and reduce risk of bottlenecks for critical resources. Naturally, new hires also provide us with opportunity to bring in new knowledge into the team and give inspiration for continuous technical and business improvements.

Tine Oswald
Director of IT and Projects

“Together with our customers and our partner ICE, we have worked closely analysing our joint processes and implemented a series of improvements to maximize distributions.”

— Mark Stevens
WHAT IS BIFROST?

Bifrost is a business application that delivers considerable value within the processing of music copyrights. It covers the entire workflow chain from handling license contracts and release registration to sales reporting and collection of royalties, and onto the distribution of money to the music rights holders.

Bifrost is unique in that it supports the processing of both offline and online administration on one and the same IT platform providing significant economy of scale.

Bifrost has proven its capability to support multiple music copyright societies on multiple work ownership identification systems (work databases). Today, Bifrost runs on the ICE works database.

Business Benefits:
- reliable, efficient and transparent processing of mechanical offline and online music copyrights
- access to the world music repertoire through one stop, multi-territorial and cross-border licensing and collection services
- identification of repertoires ownership on transactional basis
- invoicing of licensees
- payment of the correct rights holders on a transactional or non-transactional basis
- swift royalty distribution

THIS IS NETWORK OF MUSIC PARTNERS A/S (NMP)

We strive to be part of our industry’s constant change. Our organisation works back-stage as an agile and cost-efficient body that serves the music copyright societies and their members.

Simply said, we ensure that money is collected and distributed on their behalf so the correct rights holders get paid when their music is used. Our flexible IT system Bifrost is our backbone and on top of this we add our business expertise which enables us to service our customers so they gain a benefit for their members.

HISTORY OF NMP

Network of Music Partners A/S is a joint venture that delivers back-office services to a number of music copyright organisations in Europe. NMP has its headquarter in Copenhagen with a department in London.

NMP was launched in November 2012 and its first two years were focused on stabilising operations and optimising processes with the aim of utilising the full potential of NMP. NMP’s main service area is the processing of mechanical offline business for PRS for Music who provide services to MCPS in the UK and the Nordic/Baltic copyright societies. Since then, NMP has taken on additional responsibilities by managing the online administration of the Nordic copyright societies (except Stim) as well as the Baltic societies. NMP has successfully provided services to ICE Operations¹ in support of multi-territorial online service for the Dutch collecting society Buma-Stemra.

NMP is owned by the UK performing rights society PRS for Music and the Nordic mechanical rights society NCB.

¹ ICE is a supplier of business process outsourcing services for rights management companies.
NMP MANAGEMENT TEAM

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TINE OSWALD
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MICHAEL FORSTBERG
DIRECTOR OF ONLINE SERVICES
mfo@dk.nmp.eu
+45 42 74 18 54

MARK STEVENS
DIRECTOR, OFFLINE SERVICES
ms@uk.nmp.eu
+44 75 07 64 71 93

BOARD OF DIRECTORS

ANDERS LASSEN (Chairman)
CEO, KODA

PAUL CLEMENTS
COMMERCIAL DIRECTOR
PRS FOR MUSIC

KARSTEN DYHRBERG NIELSEN
CEO, STIM

KATRI SIPILÄ
CEO, TEOSTO

CHRISTOPHER MARK BUTLER
COO, MUSIC SALES LTD

STEPHAN KRISTENSEN
EMPLOYEE REPRESENTATIVE

CATO STRØM (Observer)
CEO TONO
FINANCIAL RESULT 2017

FINANCIAL HIGHLIGHTS

<table>
<thead>
<tr>
<th>Key Figures</th>
<th>2017 DKK’000</th>
<th>2016 DKK’000</th>
<th>2015 DKK’000</th>
<th>2014 DKK’000</th>
<th>2013 DKK’000</th>
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</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>55,039</td>
<td>61,616</td>
<td>52,744</td>
<td>51,684</td>
<td>52,088</td>
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<tr>
<td>Gross profit/loss</td>
<td>44,880</td>
<td>48,475</td>
<td>38,252</td>
<td>39,259</td>
<td>36,005</td>
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<tr>
<td>Operating profit/loss</td>
<td>4,229</td>
<td>4,700</td>
<td>381</td>
<td>(13)</td>
<td>0</td>
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<tr>
<td>Net financials</td>
<td>(105)</td>
<td>(49)</td>
<td>(40)</td>
<td>(13)</td>
<td>0</td>
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<tr>
<td>Profit/loss for the year</td>
<td>3,276</td>
<td>3,557</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Total assets</td>
<td>229,781</td>
<td>139,589</td>
<td>65,866</td>
<td>67,188</td>
<td>67,521</td>
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<td>Investments in property, plant and equipment</td>
<td>2,882</td>
<td>11</td>
<td>832</td>
<td>0</td>
<td>4,954</td>
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<tr>
<td>Equity</td>
<td>48,748</td>
<td>55,472</td>
<td>57,915</td>
<td>60,915</td>
<td>62,415</td>
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RATIOS

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<tbody>
<tr>
<td>Gross margin (%)</td>
<td>81,5</td>
<td>78,7</td>
<td>72,5</td>
<td>76,0</td>
<td>69,1</td>
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<tr>
<td>Net margin (%)</td>
<td>6,0</td>
<td>5,8</td>
<td>0,0</td>
<td>0,0</td>
<td>0,0</td>
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<tr>
<td>Return on equity (%)</td>
<td>6,3</td>
<td>6,3</td>
<td>0,0</td>
<td>0,0</td>
<td>0,0</td>
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<tr>
<td>Equity ratio (%)</td>
<td>21,2</td>
<td>39,7</td>
<td>87,9</td>
<td>90,7</td>
<td>92,4</td>
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</table>

Total assets increased in 2016 as Polaris distributions and collection of customer funds has been transferred from Nordic Copyright Bureau.

Financial highlights are defined and calculated in accordance with “Recommendations & Ratios 2015” issued by the Danish Society of Financial Analysts.

Ratios

- Gross margin (%): The entity’s operating gearing.
- Net margin (%): The entity’s operating profitability.
- Return on equity (%): The entity’s return on capital invested in the entity by the owners.
- Equity ratio (%): The financial strength of the entity.

Calculation formula:

- Gross profit/loss x 100
- Revenue
- Profit/loss for the year x 100
- Revenue
- Profit/loss for the year x 100
- Average equity
- Equity x 100
- Total assets
Chairman of the General Meeting

Anders Lassen

ENTITY DETAILS

Entity
NMP — NETWORK OF MUSIC PARTNERS A/S
Rued Langgaards Vej 8
2300 København S
Central Business Registration No: 34725101
Registered in: København
Financial year: 01.01.2017-31.12.2017

Board of directors
Anders Lassen, Chairman
Paul Clements
Karsten Dyhrberg Nielsen
Katri Sipilä
Christopher Mark Butler
Stephan Kristensen
Cato Strøm, Observer
Mads Ole Bundgaard Iversen, Suppleant

Executive board
Anna Malin Jonsson, administrerende direktør

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C
STATEMENT BY MANAGEMENT ON
THE ANNUAL REPORT

The Board of Directors and the Executive Board have today considered and approved the annual report of NMP – NETWORK OF MUSIC PARTNERS A/S for the financial year 01.01.2017–31.12.2017.

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

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

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

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

Copenhagen, 22.03.2018

Executive Board

Anna Malin Jonsson,
administrerende direktør

Board of directors

Anders Lassen, Chairman

Paul Clements

Karsten Dyhrberg Nielsen

Katri Sipilä

Christopher Mark Butler

Stephan Kristensen

Cato Strøm, Observer

Mads Ole Bundgaard Iversen, Suppleant
INDEPENDENT AUDITOR’S REPORT

To the shareholders of NMP – NETWORK OF MUSIC PARTNERS A/S

Opinion
We have audited the financial statements of NMP – NETWORK OF MUSIC PARTNERS A/S for the financial year 01.01.2017–31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor’s responsibilities for the audit of the financial statements section of this auditor’s report. We are independent of the Entity 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 Entity’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 Entity 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:

• 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 Entity’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 Entity’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 Entity 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.

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, 22.03.2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

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

Henrik Hartmann Olesen,
State Authorised Public Accountant
Identification No (MNE) mne34143
## INCOME STATEMENT FOR 2017

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<tr>
<td>Other external expenses</td>
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<td>(13.141)</td>
</tr>
<tr>
<td>Gross profit/loss</td>
<td>44.880</td>
<td>48.475</td>
</tr>
<tr>
<td>Staff costs</td>
<td>1</td>
<td>(26.831)</td>
</tr>
<tr>
<td>Depreciation, amortisation and impairment losses</td>
<td>2</td>
<td>(13.820)</td>
</tr>
<tr>
<td>Operating profit/loss</td>
<td>4.229</td>
<td>4.700</td>
</tr>
<tr>
<td>Other financial income</td>
<td>0</td>
<td>(49)</td>
</tr>
<tr>
<td>Other financial expenses</td>
<td>(105)</td>
<td>0</td>
</tr>
<tr>
<td>Profit/loss before tax</td>
<td>4.124</td>
<td>4.651</td>
</tr>
<tr>
<td>Tax on profit/loss for the year</td>
<td>3</td>
<td>(848)</td>
</tr>
<tr>
<td><strong>PROFIT/LOSS FOR THE YEAR</strong></td>
<td><strong>4</strong></td>
<td><strong>3.276</strong></td>
</tr>
</tbody>
</table>

## BALANCE SHEET AT 31.12.2017

<table>
<thead>
<tr>
<th></th>
<th>2017 DKK’000</th>
<th>2016 DKK’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquired rights</td>
<td>20.642</td>
<td>29.408</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>5</td>
<td>20.642</td>
</tr>
<tr>
<td>Other fixtures and fittings, tools and equipment</td>
<td>3.615</td>
<td>2.766</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>6</td>
<td>3.615</td>
</tr>
<tr>
<td>Deposits</td>
<td>558</td>
<td>547</td>
</tr>
<tr>
<td>Fixed assets investments</td>
<td>7</td>
<td>558</td>
</tr>
<tr>
<td><strong>FIXED ASSETS</strong></td>
<td><strong>24.815</strong></td>
<td><strong>32.721</strong></td>
</tr>
<tr>
<td>Trade receivables</td>
<td>59.302</td>
<td>14.658</td>
</tr>
<tr>
<td>Receivables from group enterprises</td>
<td>644</td>
<td>5.312</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>9</td>
<td>0</td>
</tr>
<tr>
<td>Other receivables</td>
<td>1183</td>
<td>412</td>
</tr>
<tr>
<td>Prepayments</td>
<td>8</td>
<td>1.018</td>
</tr>
<tr>
<td>Receivables</td>
<td>62.147</td>
<td>22.015</td>
</tr>
<tr>
<td>Cash</td>
<td>142.819</td>
<td>84.853</td>
</tr>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td><strong>204.966</strong></td>
<td><strong>106.868</strong></td>
</tr>
<tr>
<td>ASSETS</td>
<td><strong>229.781</strong></td>
<td><strong>139.589</strong></td>
</tr>
<tr>
<td>Contributed capital</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Reserve for development expenditure</td>
<td>3.296</td>
<td>2.084</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>44.952</td>
<td>52.888</td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td><strong>48.748</strong></td>
<td><strong>55.472</strong></td>
</tr>
<tr>
<td>Deferred tax</td>
<td>9</td>
<td>713</td>
</tr>
<tr>
<td><strong>PROVISIONS</strong></td>
<td><strong>713</strong></td>
<td><strong>372</strong></td>
</tr>
<tr>
<td>Prepayments received from customers</td>
<td>38.520</td>
<td>22.474</td>
</tr>
<tr>
<td>Trade payables</td>
<td>1.855</td>
<td>1.670</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>-5</td>
<td>626</td>
</tr>
<tr>
<td>Other payables</td>
<td>139.950</td>
<td>58.975</td>
</tr>
<tr>
<td>Current liabilities other than provisions</td>
<td>180.320</td>
<td>83.745</td>
</tr>
<tr>
<td><strong>LIABILITIES OTHER THAN PROVISIONS</strong></td>
<td><strong>180.320</strong></td>
<td><strong>83.745</strong></td>
</tr>
<tr>
<td><strong>EQUITY AND LIABILITIES</strong></td>
<td><strong>229.781</strong></td>
<td><strong>139.589</strong></td>
</tr>
</tbody>
</table>

Unrecognised rental and lease commitments | 11
STATEMENT OF CHANGES IN EQUITY FOR 2017

<table>
<thead>
<tr>
<th></th>
<th>Contributed capital DKK’000</th>
<th>Reserve for development expenditure DKK’000</th>
<th>Retained earnings DKK’000</th>
<th>Proposed extraordinary dividend DKK’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity beginning of year</td>
<td>500</td>
<td>2,084</td>
<td>52,888</td>
<td>0</td>
</tr>
<tr>
<td>Extraordinary dividend paid</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>(10,000)</td>
</tr>
<tr>
<td>Transfer to reserves</td>
<td>0</td>
<td>1,212</td>
<td>(1,212)</td>
<td>0</td>
</tr>
<tr>
<td>Profit/loss for the year</td>
<td>0</td>
<td>0</td>
<td>(6,724)</td>
<td>10,000</td>
</tr>
<tr>
<td><strong>Equity end of year</strong></td>
<td><strong>500</strong></td>
<td><strong>3,296</strong></td>
<td><strong>44,952</strong></td>
<td><strong>0</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Total DKK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity beginning of year</td>
<td>55,472</td>
</tr>
<tr>
<td>Extraordinary dividend paid</td>
<td>(10,000)</td>
</tr>
<tr>
<td>Transfer to reserves</td>
<td>0</td>
</tr>
<tr>
<td>Profit/loss for the year</td>
<td>3,276</td>
</tr>
<tr>
<td><strong>Equity end of year</strong></td>
<td><strong>48,748</strong></td>
</tr>
</tbody>
</table>

CASH FLOW STATEMENT 2017

<table>
<thead>
<tr>
<th></th>
<th>2017 DKK’000</th>
<th>2016 DKK’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit/loss</td>
<td>3,276</td>
<td>3,557</td>
</tr>
<tr>
<td>Amortisation, depreciation and impairment losses</td>
<td>13,820</td>
<td>15,442</td>
</tr>
<tr>
<td>Working capital changes</td>
<td>10</td>
<td>56,810</td>
</tr>
<tr>
<td>Cash flow from ordinary operating activities</td>
<td>73,906</td>
<td>79,196</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td><strong>73,906</strong></td>
<td><strong>79,196</strong></td>
</tr>
<tr>
<td>Acquisition etc of property, plant and equipment</td>
<td>(2,882)</td>
<td>(11)</td>
</tr>
<tr>
<td>Acquisition etc of intangible assets</td>
<td>(3,058)</td>
<td>(3,447)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td><strong>(5,940)</strong></td>
<td><strong>(3,458)</strong></td>
</tr>
<tr>
<td>Dividend paid</td>
<td>(10,000)</td>
<td>(6,000)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td><strong>(10,000)</strong></td>
<td><strong>(6,000)</strong></td>
</tr>
<tr>
<td>Increase/decrease in cash and cash equivalents</td>
<td>57,966</td>
<td>69,738</td>
</tr>
<tr>
<td>Cash and cash equivalents beginning of year</td>
<td>84,853</td>
<td>15,115</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS END OF YEAR</strong></td>
<td><strong>142,819</strong></td>
<td><strong>84,853</strong></td>
</tr>
</tbody>
</table>
NOTES

1. STAFF COSTS

<table>
<thead>
<tr>
<th></th>
<th>2017 DKK’000</th>
<th>2016 DKK’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>23,629</td>
<td>25,115</td>
</tr>
<tr>
<td>Pension costs</td>
<td>2,359</td>
<td>2,447</td>
</tr>
<tr>
<td>Other social security costs</td>
<td>843</td>
<td>791</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26,831</strong></td>
<td><strong>28,353</strong></td>
</tr>
</tbody>
</table>

Average number of employees: 50 (2017) vs. 51 (2016)

Referring to 98(3) of the Danish Financial Statements Act, no information of remuneration to management.

2. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

<table>
<thead>
<tr>
<th></th>
<th>2017 DKK’000</th>
<th>2016 DKK’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortisation of intangible assets</td>
<td>12,818</td>
<td>12,388</td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>1,002</td>
<td>1,553</td>
</tr>
<tr>
<td>Impairment losses on property, plant and equipment</td>
<td>0</td>
<td>1,481</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13,820</strong></td>
<td><strong>15,422</strong></td>
</tr>
</tbody>
</table>

3. TAX ON PROFIT/LOSS FOR THE YEAR

<table>
<thead>
<tr>
<th></th>
<th>2017 DKK’000</th>
<th>2016 DKK’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax current year taxable income</td>
<td>495</td>
<td>626</td>
</tr>
<tr>
<td>Change in deferred tax for the year</td>
<td>341</td>
<td>427</td>
</tr>
<tr>
<td>Adjustment concerning previous years</td>
<td>12</td>
<td>41</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>848</strong></td>
<td><strong>1,094</strong></td>
</tr>
</tbody>
</table>

4. PROPOSED DISTRIBUTION OF PROFIT/LOSS

<table>
<thead>
<tr>
<th></th>
<th>2017 DKK’000</th>
<th>2016 DKK’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extraordinary dividend distributed in the financial year</td>
<td>10,000</td>
<td>6,000</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>(6,724)</td>
<td>(2,443)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,276</strong></td>
<td><strong>3,557</strong></td>
</tr>
</tbody>
</table>

Aquired rights DKK’000

5. INTANGIBLE ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2017 DKK’000</th>
<th>2016 DKK’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost beginning of year</td>
<td>72,670</td>
<td></td>
</tr>
<tr>
<td>Additions</td>
<td>3,058</td>
<td></td>
</tr>
<tr>
<td><strong>Cost end of year</strong></td>
<td><strong>75,727</strong></td>
<td></td>
</tr>
</tbody>
</table>

Amortisation and impairment losses beginning of year (43,262)
Amortisation for the year (11,823)
Amortisation and impairment losses end of year (55,085)

Carrying amount end of year (20,642)

Additions regarding acquired rights is related to development of Bifrost, software tool to handle collections and distribution of music right funds. Bifrost is improved on an ongoing basis to meet market increased market and customer demand. Bifrost and the continued improvement of the system is essential for maintaining and improving the revenue stream.

6. PROPERTY, PLANT AND EQUIPMENT

<table>
<thead>
<tr>
<th></th>
<th>2017 DKK’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost beginning of year</td>
<td>10,920</td>
</tr>
<tr>
<td>Additions</td>
<td>2,882</td>
</tr>
<tr>
<td>Disposals</td>
<td>(3,864)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10,938</strong></td>
</tr>
</tbody>
</table>

Depreciation and impairment losses beginning of the year (8,154)
Depreciation for the year (2,033)
Disposals 3,864
Depreciation and impairment losses end of the year (6,323)
Carrying amount end of year 3,615
Deposits DKK’000

7. FIXED ASSET INVESTMENTS

<table>
<thead>
<tr>
<th></th>
<th>2017 DKK’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost beginning of year</td>
<td>547</td>
</tr>
<tr>
<td>Additions</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>558</strong></td>
</tr>
</tbody>
</table>

Carrying amount end of year 558

8. PREPAYMENTS

Prepayments recognized under receivables include costs for recognition in following financial years.

9. DEFERRED TAX

Deferred tax relates to fixed assets.

10. CHANGE IN WORKING CAPITAL

<table>
<thead>
<tr>
<th></th>
<th>2017 DKK’000</th>
<th>2016 DKK’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase/decrease in receivables</td>
<td>(40,131)</td>
<td>(15,995)</td>
</tr>
<tr>
<td>Increase/decrease in trade payables etc</td>
<td>96,941</td>
<td>76,212</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>56,810</strong></td>
<td><strong>60,217</strong></td>
</tr>
</tbody>
</table>

11. UNRECOGNISED RENTAL AND LEASE COMMITMENTS

Hereof liabilities under rental or lease agreements until maturity in total 3,738
4,882
ACCOUNTING POLICIES

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (Medium sized).

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

INCOME STATEMENT FOR 2017

Revenue
Revenue from provision of services is recognised in the income statement when delivery is made and risk has passed to the buyers. Revenue is recognised net of VAT, duties and sales discounts.

Other external expenses
Other external expenses include expenses relating to the Entity’s ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

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

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

Other financial income
Other financial income comprises interest income on receivables from group enterprises, payables and foreign currencies transactions, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on transactions in foreign currencies etc.

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

**Intellectual property rights etc**
Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. The rights are amortised on a straight-line basis over their remaining duration. The amortisation period is seven years.

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

**Property, plant and equipment**
Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

- Other fixtures and fittings, tools and equipment: 3-5 years.

Estimated useful lives and residual values are reassessed annually.

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

**Receivables**
Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

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

**Cash**
Cash comprises cash in hand and bank deposits.

**Deferred tax**
Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

**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 amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

**Income tax receivable or payable**
Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year’s taxable income, adjusted for prepaid tax.

**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 of fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise payment of dividend.

Cash and cash equivalents comprise cash and short-term bank loans.
A PROUD SUPPORTER OF THE MUSIC INDUSTRY.