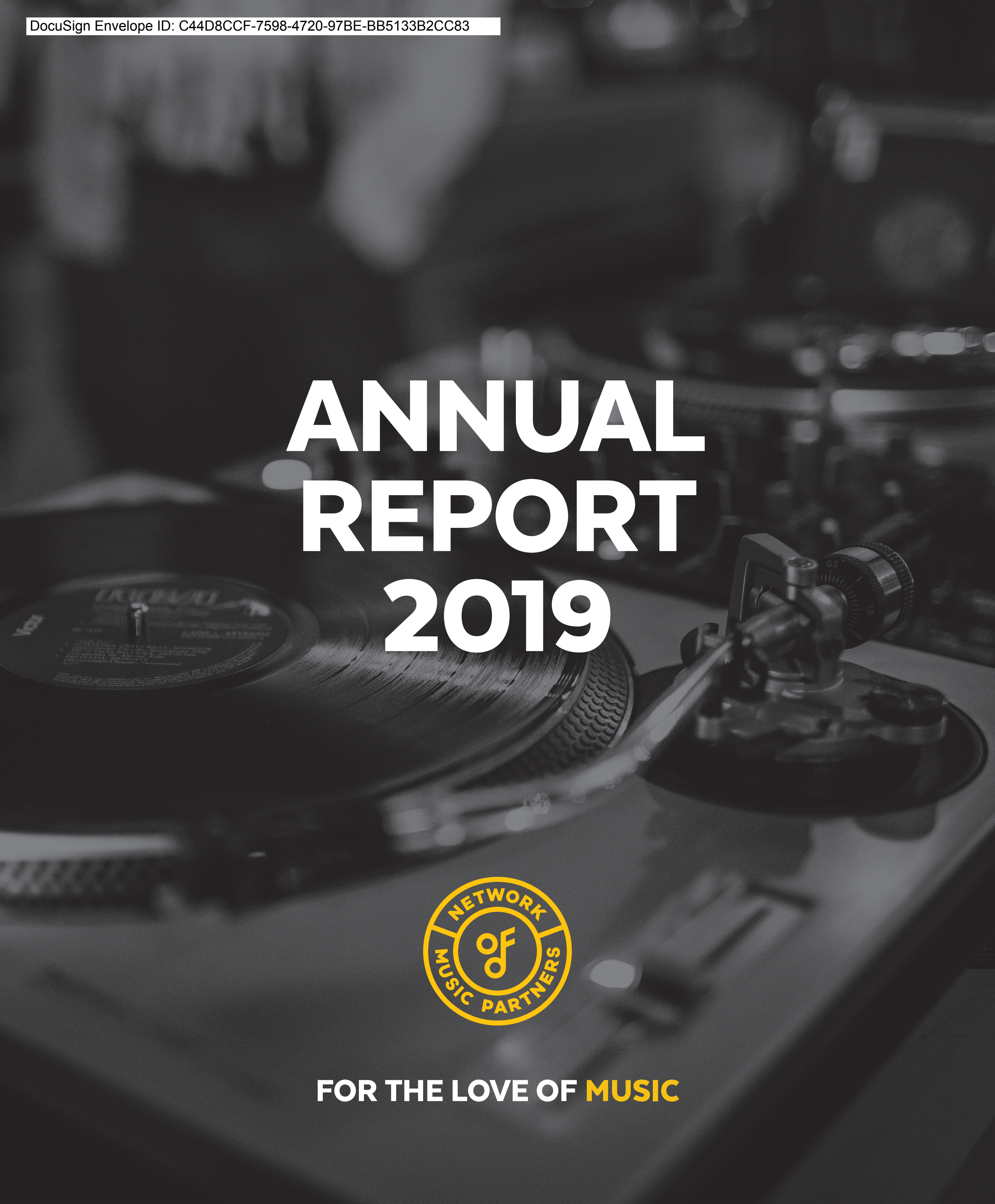


ANNUAL REPORT 2019

NETWORK MUSIC PARTNERS

FOR THE LOVE OF MUSIC

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

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 offices in Copenhagen and 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 areas have been the processing of mechanical offline business for the Nordic/Baltics copyright societies through NCB as well as for MCPS through PRS for Music. Since then, NMP has taken on additional responsibilities by managing the online administration of the Nordic copyright societies (except for Stim/Sweden) as well as the Baltic societies. In addition, NMP has successfully provided administration services to the Dutch CMO (Collective Management Organization) Buma/Stemra in collaboration with ICE[1] services.

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

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 MARKETS

[1] ICE is a supplier of business process outsourcing services for rights management companies.

MANAGEMENT'S COMMENTARY

In 2019, NMP turned 7 years and we are very proud to say that we have ensured over DKK 7 billion being distributed to rightsholders over the years.

Globally, 2019 was all about climate change. Thus, information regarding impacts of global warming was truly overwhelming as scientists predicted that every continent is now affected. Greta Thunberg delivered her clear message: Listen to scientists and act collectively to save the planet. As a result, people showed enhanced willingness to assume responsibility, yet some powerful politicians exited globally committed agreements to enhance their own interests.

Why are collective actions so challenging to impose? Possibly, because a collective mindset requires patience, endurance and acceptance of compromise, all of which are vital components in reaching long-ranging goals. However, such virtues are at the same time difficult to attain in highly unpredictable settings.

Now, climate change has no correlation to NMP's doings. However, a conceptual similarity exists in the challenge of operating (as a small joint venture) in a fast-changing industry with increased competition between entities, who are otherwise joined in their vision of rightsholders being best represented by strong collectives in securing fair compensation by commercially popular platforms. In short, NMP's existence is also underlying the virtues of patience, endurance and compromise when contributing to sustaining the value of music in our society.

In 2019, NMP turned 7 years and, we are very proud to say that we have ensured over DKK 7 billion being distributed to rightsholders over the years. This significant sum of money is perfectly in line with our mission to maximize payments for music usage and distribute it swiftly to rightsowners. With NMP's 7th birthday a major milestone was also reached as historic investments once required to form the Nordic/UK collaboration, were paid off. New tech investments may be required ahead since NMP's scope of business has changed quickly: In 2012, NMP managed 100% mechanical offline collections while in 2019 it constitutes an even split of online/offline collections. Naturally, a transition towards streaming has been handled cautiously, providing a stable "cradle" for the declining offline business whilst undertaking modest investments needed for the entire NMP portfolio. The past years have proved the JV's capability to leverage synergies and demonstrating its ability to quickly adapt to industry transformations.

Financially, 2019 resulted in yet another stable year for the JV. New collections processed through NMP substantially increased by 17% compared to 2018 and totalled DKK 746 million, with 20% more offline and 11% more online collections compared to 2018. NMP's 2019 revenues amounted to DKK 57 million, DKK 2 million more than last year. The increased revenue is predominantly due to extra services delivered to NCB in 2019. Operationally, NMP's emphasis in 2019 was to keep services stable and in accordance with SLAs. In parallel, efforts were centred on two large-scale activities:

Firstly, NMP delivered a competitive offer to Buma/Stemra, who in early 2019 decided to place their future online administration into tender.

Secondly, an industry-driven initiative concerned with a standardized claims process (a two-stage invoicing process) and its associated residual-handling, was managed.

Naturally, a complexity of running these two activities in parallel arose in terms of the two-stage process being urgently needed by NMP's online customers while NMP's future service provision of online was somewhat uncertain, pending the tender outcome. Thus, pressure of producing results in both "ends" was high and not unexpectedly, it occasionally took its toll on everyone. However, some say that the harder the challenge, the sweeter the victory. This was certainly the case when NMP proudly announced its on-time launch of the new claims process, followed by the declaration from Buma/Stemra that NMP was the winner of their benchmark exercise. This "win" kick-off negotiations for a new contract.

Further, in 2019 NMP was busy extending its PEL (Pan-Euro Licensing) services as new Spotify deals were on-boarded. NMP also continued its close collaboration with the Polaris HUB in 2019, aiming at having multi-territorial collections by 2020.

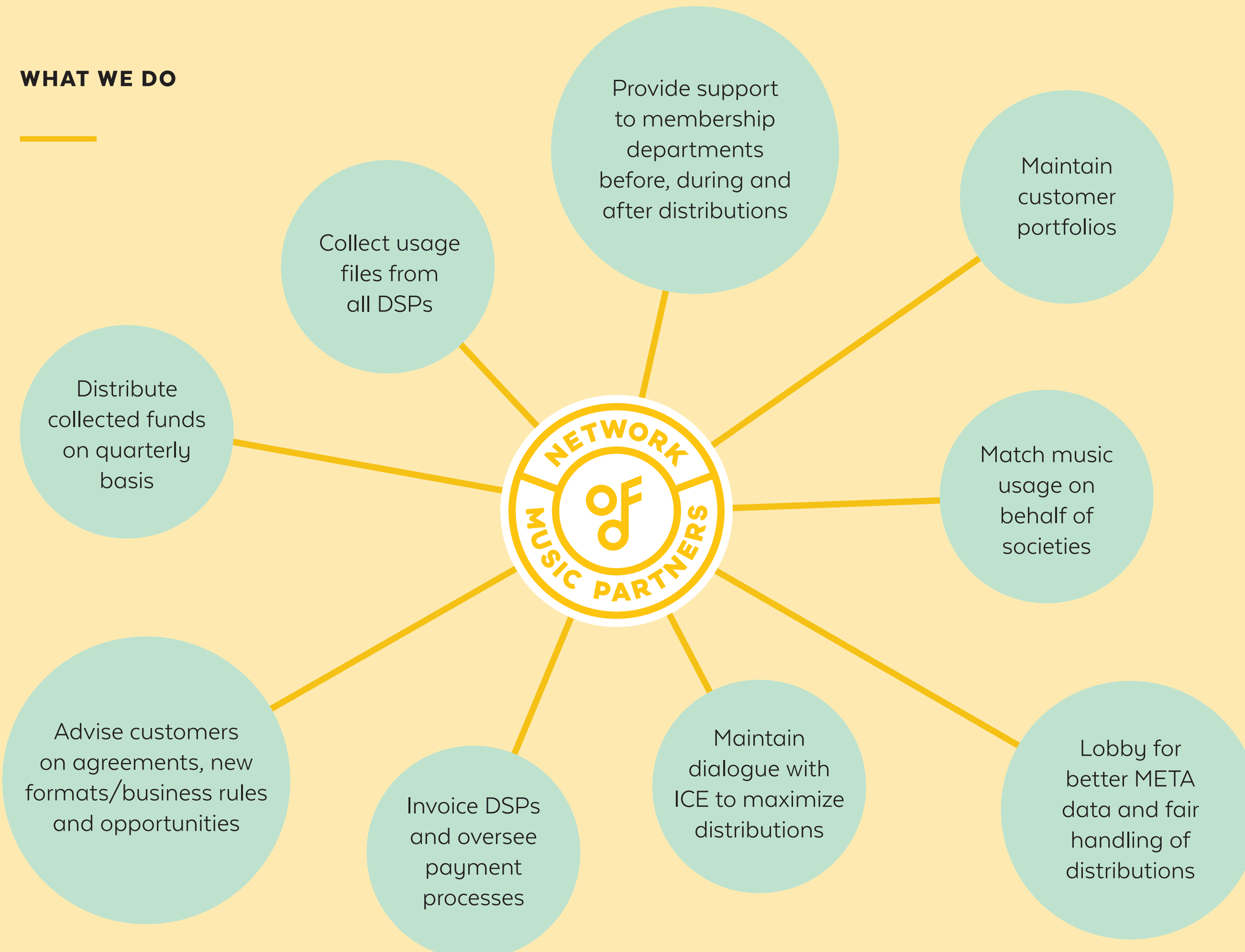
In terms of the offline business, NMP conducted an extra distribution for NCB releasing collections previously withheld by German tax authorities. In addition, a major payout of suspended online collections was handled. For MCPS' business, NMP prepared the transfer of more schemes onto NMP's platform and and these preparations should imply stable MCPS collections for the coming year.

2019 was certainly NMP's busiest year as of yet and progress made should imply a strong2020. However, the rapidly evolving COVID-19 crisis is posing entirely new challenges for us all. NMP will be no exception. It is possible that the global lockdown will lead to NMP's managed portfolio declining in 2020 should we enter a financial recession. Undoubtedly, the situation means unprecedented global ambiguities ahead. Still, in the midst of any crisis, new inventions and new opportunities may also emerge over time.

Finally, regardless of the uncertainty posed upon us, I would like to sincerely thank NMP's customers for their loyalty in 2019. I would also like to express my gratitude to the dedicated staff of NMP. Had it not been for their solid work ethic and teamwork, mixed with strongcustomer alliances and interactions with DSPs' tech teams, the key deliverables in 2019 had not been within reach. Together we showed that patience, endurance and compromise have a natural place on our "menu". Finally, I thank the NMP Board for their support to us during 2019.

Malin Skogman
CEO

WHAT WE DO


NETWORK OF MUSIC PARTNERS
Provide support to membership departments before, during and after distributions
Maintain customer portfolios
Collect usage files from all DSPs
Distribute collected funds on quarterly basis
Match music usage on behalf of societies
Advise customers on agreements, new formats/business rules and opportunities
Invoice DSPs and oversee payment processes
Maintain dialogue with ICE to maximize distributions
Lobby for better META data and fair handling of distributions

FINANCIAL SUMMARY AND OUTLOOK 2019

In 2019, NMP delivered yet another solid financial result. Customers' collections increased by 17% compared to 2018, which was 11% more in online collections and 20% more in offline collections compared to the year before. The increase in offline collections is not due to any growth, but rather related to extra services for historic collections delivered by NMP to NCB in 2019. However, the 2019 increase in online collections is directly linked to the fact that NMP, on behalf of its customers, has started processing more PEL during the year. Overall, the increased business managed by NMP in 2019 resulted in revenues of DKK 57 million, which was DKK 2.7 million over budget and DKK 2.4 million more than last year.

As NMP is a non-profit organisation, costs are a natural focus area. Thus, in 2019 I am pleased to say that our overall cost came in just slightly under budget and at par with last year, mostly due to interim savings in FTEs. As a result, NMP was able to reduce general cost levels to its owners who continuously invest in NMP's systems and doings year-on-year.

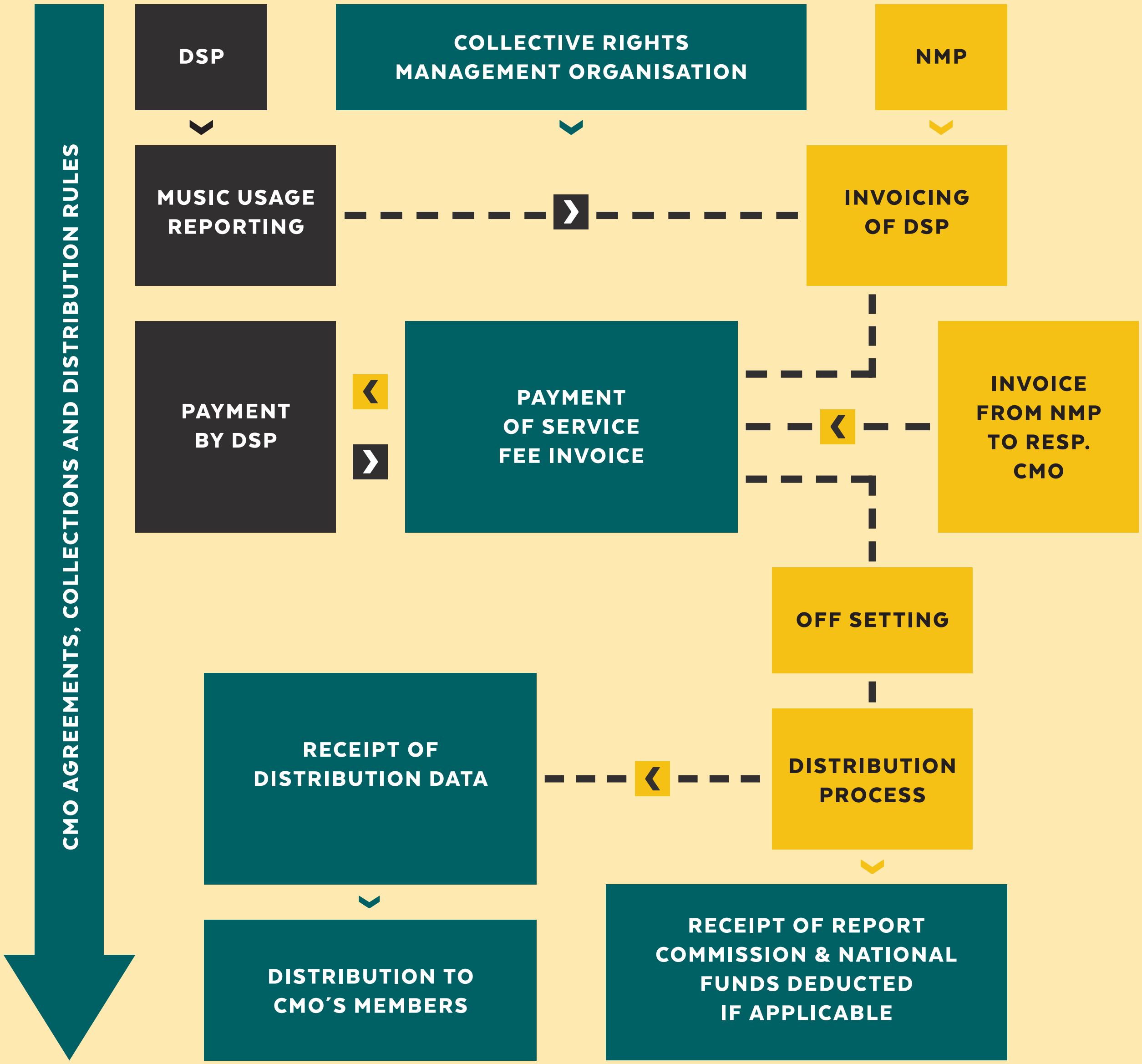
In addition, it should be mentioned that 2019 has been a very busy year in the finance team. Unfortunately, we said goodbye to some employees and welcomed new ones. These new employees continue the stable development in the finance department by continuing to optimize processes and systems together with other internal departments. One of the focus areas is to strengthen cooperation with our customers' finance departments, improving dialogue, transparency and general reporting.

On a final note, NMP is expected to continue its stable financial journey ahead but as of 2020, new administrative online agreements are launched implying a somewhat lowered revenue from customers. In addition, general uncertainty related to the declining offline market continues to challenge our overall prediction. Thus, caution on costs continue on the operational side and potential necessary investments shall require even more alignment ahead.

Diana Lindorf Børjesson
CFO

THE NMP PROCESS

THIS IS HOW NMP'S ADMINISTRATION PROCESS WORKS



FOCUS ON THE FUTURE: IMPLEMENTATION OF BEST PRACTICES AND SECURING GROWTH

In collaboration with various industry stakeholders, a new standard for online administration was agreed and implemented.

In 2019, NMP, a long-term participant of the TOWGE[2], agreed with its customers and other industry stakeholders to define "best practices" for online processing. The aim of these efforts is to secure more accurate and transparent handling of remuneration to rightsholders with fewer disputes and less overclaims caused by differences in administration.

The transformation in the industry towards streaming has occurred quickly and the administration of royalty handling has partly been implemented based on historic agreement made in the offline era. As such, lots of variations of claims handling have emerged over the years, unfortunately causing overclaims (as well as underclaims) to occur. The differences in handling are generally hindering the flow of money from music usage to distributions. Naturally, the handling is far from simple as music usage has historically not been adequately documented, with risk of preventing it from being matched to works. In addition, works documentation is not always available in time or its registration may differ depending on sources used. However, in the ambition of securing as much accurate claims value on behalf of members represented as possible, NMP naturally engaged in the initiative.

BEST PRACTICES

In 2019, together with TOWGE members, the principles of some industry "best practices" for claiming were finalized. The best practices imply that licensors and their back offices only claim authorized shares and they do not claim for any unmatched tracks, nor for public domain or shares related to works under copyright control. Of course, works in dispute may not be claimed either but rather licensors are requested to resolve these disagreements.

With NMP's early adaptions to the new claims processing in 2018, and the aforementioned principles being launched in Q4 2019, NMP is now compliant with TOWGE's recommendations.

[2]TOWGE (Technical Online Working Group Europe) is a forum with members from EU's societies, major publishers and service hubs. The group meets with the industry's major DSPs to standardize and gain efficiency in relation to digital consumption. TOWGE's term of reference: https://www.suisa.ch/fileadmin/user_upload/kunden/Online/TOWGE_Terms_Of_Reference_Update_January_2019.pdf

SIGNIFICANT GROWTH IN COLLECTIONS FROM PAN-EURO LICENSING DEALS

Back in 2018, NMP initiated its Pan-Euro launch through a direct deal with Buma/Stemra. The collecting society had decided to direct license their repertoire throughout Europe, a long-term plan of theirs.

In 2019, Buma/Stemra chose to extend their direct license deals also with Spotify. This led to new sources of revenue for NMP being responsible for the administration thereof.

Overall, NMP's revenue from Buma/Stemra increased significantly in 2019, which is a nice boost in a growing market. Revenues increased but so did the work. More specifically, the collaboration with the DSPs was uplifting as NMP, by understanding each other's needs, was able to adapt various reports much easier leading to Buma/Stemra's members being paid faster than before.

Going Pan-Euro is a rather big task, which depends on a significant growth in number of files to be processed combined with extremely large amounts of data having to be processed for the purpose of squeezing out the repertoire with value. To administer Pan-Euro licenses, NMP has to match as much as possible, in as many territories as requested without drowning in data. Therefore, NMP designed an intelligent filtering mechanism for data handling in line with the JV's mission: to maximize payments for music usage and distribute it swiftly and accurately to rightsowners!

Michael Mortensen-Heiberg
Business Relationship Manager

NMP WINS BENCHMARK EXERCISE IN COMPETITION WITH VARIOUS CONTENDERS

Buma/Stemra went into tender with their online administration services in 2019. The Request for Information (RFI) contained a request to process chosen usage files in a number of territories so that Buma/Stemra could benchmark different RFI contenders' ability to match the Dutch repertoire nationally as well as in the designated territories. Using an external system, the result between contenders was compared.

After having carried out the benchmark exercise, the NMP team delivered its result together with other participants. In November, the result thereof was presented to the participating team with the pleasing fact that NMP had won in terms of having had the most accurate claims with the highest match rate.

This was of course a great motivational boost for everyone involved and proof that the NMP platform is highly capable of identifying repertoire. The team was also told that the response to the RFI questions had been delivered in a very professional manner. NMP expects to negotiate for a deal directly with Buma/Stemra for the coming years.

PLANNING FOR THE FUTURE: IT CAPACITY

In 2019, one of our key focuses in IT have been to ensure an IT platform that supports the challenges of increased data volumes in the music industry. We want to deliver best-in-class services to our customers and to do so, we need to deliver cost-efficient and stable back office services while constantly focusing on capacity, scalability and performance. To manage this, we made an investment in a new powerful server, which can process more data simultaneously. In 2019, we launched Pan-European licensing services to our customers, increasing the need for implementing efficient processes for filtering usage files with large data volumes. This gave us a great opportunity to explore the advantages of using cloud services to support the need for capacity and scalability. With success we are now using cloud services for a specific business area and are integrating the cloud processing to our current on-premise services. We will continue this cloud exploration on how to use cloud services to future-proof the IT platform and minimize the concern of future scalability and capacity. During 2019, we have also performed various system upgrades to increase general capacity and performance. One being an upgrade of the Rich User Interface (RUI) to secure browser compliance.

BUSINESS INTELLIGENCE – THE FOUNDATION FOR TRANSPARENCY AND EFFICIENCY IN CUSTOMER RELATIONS

Another challenge in the music industry is the lack of transparency, giving us a great opportunity to invest in a BI tool extracting our customers' data and transforming it into dashboard-based reports. These dashboards give valuable insights to our customers about portfolios and distributions helping them in making the right decisions on behalf of their members.

In 2020, NMP plans to continue its BI efforts by intensifying customer dialogues identifying need for more transparency in all processing areas.

Tine Oswald
CIO

NMP AIMS AT ENTERING A DEAL WITH POLARIS HUB

2019 was the year NMP commenced the closer collaboration with the recently launched Polaris HUB, the joint effort from the Nordic societies Koda, Tono and Teosto to create a united and strengthened licensing HUB negotiating multiterritorial deals with key digital streaming services.

As said, the Polaris HUB was created as the centralized entity with the legal responsibility to carry out licensing negotiation on behalf of the Nordic societies with NMP acting as their back office for newly gained multiterritorial online services.

With NMP's long-term experience in claiming, invoicing and distributing for these Nordic societies combined with NMP's experience from processing on a Pan-European level, NMP brings critical knowhow on how to approach this rather complex process.

We are very proud and excited to play a central part in the Polaris HUB endeavour. The difficulty is high however we remain confident that 2020 will be the year where results will emerge in form of signed licensing deals with increased remuneration to rightsholders as processing is commenced.

Ian Wassmann-Andersen
Project Manager

INITIATIVES REGARDING MUSIC IDENTIFICATION

In the retail industry the term CLICK & COLLECT has become extremely popular, often referring to a purchase made online being physically collected in a store.

Similarly, the vision flourishes within the music industry of a CLICK & COLLECT but now referring to a music usage (the click) resulting in a directly reported transaction following an immediate (or near immediate) payment to the correct rightsowner(s).

However, to reach such a vision, we must first acknowledge that one of the biggest hurdles today is being able to identify not just the correct rightsowner(s) but also the product being digitally "bought". Of course, vast improvements have been made in recent years with enhanced META data from DSPs, improved match capabilties by administrators and better sources of ownership. However, realizing a CLICK & COLLECT vision is still far off as unidentified or otherwise non-distributable usage still makes up about +20% of usage. Thus, music identification remains a major competitive advantage in gaining remunerations to rightsholders.

Therefore, to continuously engage in developments associated with transitional claiming and distributing of music, NMP is currently part of various initiative focused on enhancing received META data to increase general match rates. NMP has thus initiated a number of initiatives in this regard with DSPs and other third parties.

Currently underway is a proof of concept with Spotify looking to implement a process whereby missing composer/author META data can be procured directly from the labels. In addition, a test exercise with an external party, assessing the value of utilizing their services to enhance NMP's own matching for any received poor data, is underway. Finally, an analysis of digital recordings data received from UK-based PPL, as well as an exercise with a media data analytics company analysing ISRC data in order to consolidate recordings in our own database, are in the pipeline.

With an explorative approach to collaboration across the industry, NMP aims to identify even more collection value ahead, securing their swift distribution to rightsowners.

Mark Stevens

Director Offline Services

THE UK/NORDIC JOINT VENTURE 2012-2019

BELOW ARE SOME KEY HIGHLIGHTS OF NMP'S 7-YEAR JOURNEY

2012

- The joint venture Network of Music Partners is officially born.

2013

- Focus on JV operational stability.
- NMP's managed portfolio 100% mechanical offline.

2014

- NCB online services transferred into NMP.
- New deal signed with ICE for service provision to Buma/Stemra.

2015

- Commencement of services to Buma/Stemra.
- Transition of NCB and Polaris onto ICE Copyright.
- NMP relocation and re-branding.

2016

- NMP assumes financial responsibility for KTT online.
- MCPS goes into tender.
- NMP pitches on large offline opportunity.
- Strong financial result delivered as Online grows.

2017

- MCPS renew 5-year deal with PRS.
- Polaris continue online processing through NMP.
- NMP recives very positive feedback from customers in survey.
- Growth in online lead to strong FY2017.

2018

- NMP launches initial PEL services through direct deal with Buma/Stemra.
- NMP launches new Business Intelligence solution.
- Polaris launches new Licensing Hub.

2019

- New standardized claims process launched in line with “best practices”.
- NMP wins Benchmark Exercise in competition with other providers
- Online PEL collections grow significantly.
- NMP reaches milestone of totalling DKK 7 billion in distributions to rightsholders.
- NMP turns 7 years.
- NMP enables NCB’s pay-outs of historic collections.

2020...

- ...here we come!

EMPLOYEES

As a service hub, NMP focuses relentlessly on strong customer relations. The idea is simply that strong relations lead to better collaborations and better collaboration enhances possibilities of jointly exploring further business opportunities.

Consequently, NMP wants to invest in its employees securing that they are motivated to seek out strong collaborations with customers/stakeholders. Such motivation requires staff to be in possession of necessary skills to deliver good service. Furthermore, to sustain and attract talents, in competition with other companies in the market, NMP wishes to be an attractive employer in the industry.

To find if NMP is regarded an attractive employer and if the necessary skills are in place, NMP conducted its annual staff survey in Q4 2019. The result thereof was highly satisfactory showing a strong alignment on NMP's core values and confirming that NMP staff finds the industry and the general business we operate in to provide them with continuous development opportunities.

Furthermore, NMP's staff confirmed general satisfaction with its management but possibly more importantly, staff confirmed that the group thrives on its own ability to work well together. This insight of the employee survey is vital information for management, in particular as the year was highly demanding with lots of pressured projects and uncertainty of customer decisions for the future. Thus, tapping into perceptions of the group's own regard of their collaboration ability and their empowerment, is key in designing necessary organisational setups ahead.

Naturally, employees also gave insight into areas of improvement. More specifically, employees expressed a need for clear(er) prioritization of key tasks and working for less dependency on key employees. With this improvement feedback, NMP's management group shall focus on actions addressing these requests. Overall, our aim is to sustain and develop a team where loyalty is rewarded, where mistakes are a natural part of learning and where direct feedback is regarded the best path towards correction. Focus on sustained teamwork and spreading knowledge so that NMP remains an attractive place to work, shall remain a focal part for NMP's management.

HELPING MUSIC PROSPER. THROUGH NETWORK PARTNERSHIPS.

OUR CUSTOMERS

NMP MANAGEMENT TEAM

MARK STEVENS
DIRECTOR OF OFFLINE SERVICES
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TINE OSWALD
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THEIS OLSEN
MANAGEMENT CONSULTANT
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MALIN SKOGMAN
MANAGING DIRECTOR/CEO
mjo@dk.nmp.eu

BOARD OF DIRECTORS

GORM ARILDSEN
CEO KODA

KARSTEN DYHRBERG NIELSEN
CEO STIM

RISTO SALMINEN
CEO TEOSTO

ANDREA C. MARTIN
CEO PRS FOR MUSIC

STEVE POWELL
CFO PRS FOR MUSIC

SIMON PLATZ
MANAGING DIRECTOR BUCKS MUSIC GROUP

CATO STRØM (Observer)
CEO TONO

STEVE BURTON (Observer)
COO MCPS

STEPHAN KRISTENSEN
EMPLOYEE REPRESENTATIVE

FINANCIAL REPORT 2019

FINANCIAL RESULT 2019

FINANCIAL HIGHLIGHTS

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
KEY FIGURES					
Revenue	51.510	54.886	55.039	61.616	52.744
Gross profit/loss	39.513	45.247	44.880	48.475	38.252
Operating profit/loss	785	4.172	4.229	4.700	381
Net financials	(107)	(99)	(105)	(49)	(40)
Profit/loss for the year	466	3.334	3.276	3.557	0
Total assets	239.115	253.054	229.781	139.589	65.866
Investments in property, plant and equipment	1813	185	2.882	11	832
Equity	28.548	42.082	48.748	55.472	57.915
RATIOS					
Gross margin (%)	76,7	82,4	81,5	78,7	72,5
Net margin (%)	0.9	6,1	6,0	5,8	0,0
Return on equity (%)	1,3	7,3	6,3	6,3	0,0
Equity ratio (%)	11.9	16,6	21,2	39,7	87,9

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

Ratios	Calculation formula	Ratios
Gross margin (%)	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.

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 01.01.2019–31.12.2019.

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 Entity'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, 23.03.2019

4/22/2020

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Malin Skogman (Jonsson)
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Board of directors

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Gorm Arildsen

DocuSigned by:
Steve Powell
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Steve Powell

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Karsten Dyhrberg Nielsen
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Simon Platz
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DocuSigned by:
Risto Salminen
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Stephan Kristensen
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Andrea C. Martin

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 01.01.2019–31.12.2019, 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 Entity'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 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, 23.03.2020

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 2019

	NOTES	2019 DKK'000	2018 DKK'000
Revenue		51.510	54.886
Other external expenses		(11.996)	(9.639)
Gross profit/loss		**39.513**	**45.247**
Staff costs	1	(26.546)	(27.011)
Depreciation, amortisation and impairment losses	2	(12.182)	(14.064)
Operating profit/loss		**785**	**4.172**
Other financial income		0	0
Other financial expenses		(107)	(99)
Profit/loss before tax		**678**	**4.073**
Tax on profit/loss for the year	3	(212)	(739)
PROFIT/LOSS FOR THE YEAR	**4**	**466**	**3.334**

BALANCE SHEET AT 31.12.2019

	NOTES	2019 DKK'000	2018 DKK'000
Aquired rights		5.968	11.249
Development projects		1.183	976
Intangible assets	**5**	**6.880**	**12.225**
Other fixtures and fittings, tools and equipment		1.808	1.763
Property, plant and equipment	**6**	**1.808**	**1.763**
Deposits		580	569
Fixed assets investments	**7**	**580**	**569**
FIXED ASSETS		**9.269**	**14.557**
Trade receivables		54.765	47.456
Receivables from group enterprises		0	94
Deferred tax	9	0	0
Other receivables		1.025	1.971
Prepayments	8	1.547	1.390
Receivables		**53.337**	**50.911**
Cash		**172.509**	**187.585**
CURRENT ASSETS		**229.846**	**238.497**
ASSETS		**239.115**	**253.054**
Contributed capital		500	500
Reserve for development expenditure		7.471	4.098
Retained earnings		20.577	37.484
EQUITY		**28.548**	**42.082**
Deferred tax	9	715	1.054
PROVISIONS		**715**	**1.054**
Other payables		612	0
Non-current liabilities		**612**	**0**
Prepayments received from customers		13.527	35.583
Payables to group enterprises		801	0
Trade payables		2.730	1.964
Income tax payable		506	8
Other payables		191.676	172.363
Current liabilities other than provisions		**209.240**	**209.917**
LIABILITIES OTHER THAN PROVISIONS		**209.240**	**209.917**
EQUITY AND LIABILITIES		**239.115**	**253.054**

STATEMENT OF CHANGES IN EQUITY FOR 2019

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Proposed extraordinary dividend DKK'000
Equity beginning of year	500	4.098	37.484	0
Extraordinary dividend paid	0	0	0	(14.000)
Transfer to reserves	0	3.373	(3.373)	0
Profit/loss for the year	0	0	(13.534)	14.000
Equity end of year	**500**	**7.471**	**20.577**	**0**

	Total DKK
Equity beginning of year	42.082
Extraordinary dividend paid	(14.000)
Transfer to reserves	0
Profit/loss for the year	466
Equity end of year	**28.548**

CASH FLOW STATEMENT 2019

	NOTES	2019 DKK'000	2018 DKK'000
Operating profit/loss		785	4.172
Amortisation, depreciation and impairment losses		12.182	14.064
Working capital changes	10	(7.018)	40.460
Cash flow from ordinary operating activities		**5.950**	**58.697**
Financial income received		0	0
Financial expenses paid		(107)	(99)
Cash flows from operating activities		**5.842**	**58.598**
Acquisition etc of property, plant and equipment		(1.813)	(185)
Acquisition etc of intangible assets		(5.105)	(3.647)
Cash flows from investing activities		**(6.919)**	**(3.832)**
Dividend paid		(14.000)	(10.000)
Cash flows from financing activities		**(14.000)**	**(10.000)**
Increase/decrease in cash and cash equivalents		**(15.076)**	**44.766**
Cash and cash equivalents beginning of year		187.585	142.819
CASH AND CASH EQUIVALENTS END OF YEAR		**172.509**	**187.585**

NOTES

	2019 DKK'000	2018 DKK'000
1. STAFF COSTS		
Wages and salaries	23.428	23.823
Pension costs	2.442	2.479
Other social security costs	677	709
	26.546	**27.011**
Average number of employees	49	49
Referring to 98(3) of the Danish Financial Statements Act, no information of remuneration to management		
2. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES		
Amortisation of intangible assets	10.450	12.064
Depreciation of property, plant and equipment	1.732	2000
Impairment losses on property, plant and equipment	0	0
	12.182	**14.064**
3. TAX ON PROFIT/LOSS FOR THE YEAR		
Tax current year taxable income	551	450
Change in deferred tax for the year	(386)	426
Adjustment concerning previous years	47	(137)
	212	**739**
4. PROPOSED DISTRIBUTION OF PROFIT/LOSS		
Extraordinary dividend distributed in the financial year	14.000	14.000
Retained earnings	(13.534)	(6.666)
	466	**3.334**

	Development projects DKK'000	Aquired rights DKK'000
5. INTANGIBLE ASSETS		
Cost beginning of year	976	78.399
Additions	207	4.898
Cost end of year	**1.183**	**83.297**
Amortisation and impairment losses beginning of year	0	(67.150)
Amortisation for the year	0	(10.450)
Amortisation and impairment losses end of year	**0**	**(77.600)**
Carrying amount end of year	**1.183**	**5.698**

Additions regarding development projects is related to establishment of Business Intelligence solution. 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 increased market and customer demand. Bifrost and the continued improvement of the system is essential for maintaining and improving the revenue stream.

	Other fixtures and fittings, tools and equipment DKK'000
6. PROPERTY, PLANT AND EQUIPMENT	
Cost beginning of year	10.123
Additions	1.813
Disposals	0
Cost end of year	**11.937**
Depreciation and impairment losses beginning of the year	(8.360)
Depreciation for the year	(1.769)
Disposals	0
Depreciation and impairment losses end of the year	**(10.129)**
Carrying amount end of year	**1.808**

	Deposits DKK'000
7. FIXED ASSET INVESTMENTS	
Cost beginning of year	569
Additions	11
Cost end of year	**580**
Carrying amount end of year	**580**

8. PREPAYMENTS

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

9. DEFERRED TAX

Deferred tax relates to fixed assets.

	2019 DKK'000	2018 DKK'000
10. CHANGE IN WORKING CAPITAL		
Increase/decrease in receivables	(6.426)	11.236
Increase/decrease in trade payables etc	(592)	29.968
	(7.018)	**41.204**
11. UNRECOGNISED RENTAL AND LEASE COMMITMENTS		
Hereof liabilities under rental or lease agreements until maturity in total	**1.485**	**2.497**

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 2019

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, stationary 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 comprise 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 consist 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 7 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 untin 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 carryforwards, 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.

Other payables comprise primarily temporary undistributed collections (royalties) on behalf of the Nordic societies (Polaris).

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.

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