

**Nmp - Network Of Music Partners
A/S**

Annual report 2021

Rued Langgaards Vej 8
2300 København S
CVR No. 34725101

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Entity details

Entity

Nmp - Network Of Music Partners A/S

Rued Langgaards Vej 8

2300 København S

Business Registration No.: 34725101

Registered office: København

Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Gorm Arildsen

Katja Manley Østergaard

Simon Howard Platz

Risto Harri Olavi Salminen

Andrea Czapary Martin

Laura Jayne Golding

Lina Heyman

Executive Board

Tine Oswald, adm. dir.

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Statement by Management

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 01.01.2021 - 31.12.2021.

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 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021.

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, 28.03.2022

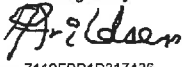
Executive Board

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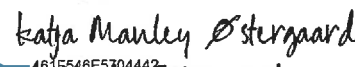
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Tine Oswald
adm. dir.

Board of Directors

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Gorm Arildsen

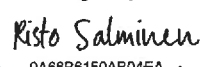
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Katja Manley Østergaard

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Simon Howard Platz

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Risto Harri Olavi Salminen

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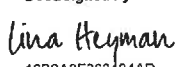
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Andrea Czapary Martin

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Laura Jayne Golding

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Lina Heyman

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 01.01.2021 - 31.12.2021, 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 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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, 28.03.2022

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556



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

Management commentary

Financial highlights

	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
Key figures					
Revenue	47,009	43,047	51,510	54,886	55,039
Gross profit/loss	35,797	33,406	39,512	45,245	44,879
Operating profit/loss	1,239	804	784	4,170	4,228
Net financials	(144)	(115)	(107)	(98)	(105)
Profit/loss for the year	1,783	539	465	3,333	3,267
Total assets	282,590	283,387	239,114	254,865	231,587
Investments in property, plant and equipment	374	756	1,813	185	2,882
Equity	30,874	29,091	28,087	38,753	48,749
Ratios					
Gross margin (%)	76.15	77.60	76.71	82.43	81.54
Net margin (%)	3.79	1.25	0.90	6.07	5.94
Return on equity (%)	5.95	1.89	1.39	7.62	6.30
Equity ratio (%)	10.93	10.27	11.75	15.21	21.05

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):

$\frac{\text{Gross profit/loss}}{\text{Revenue}} * 100$

Revenue

Net margin (%):

$\frac{\text{Profit/loss for the year}}{\text{Revenue}} * 100$

Revenue

Return on equity (%):

$\frac{\text{Profit/loss for the year}}{\text{Average equity}} * 100$

Average equity

Equity ratio (%):

$\frac{\text{Equity}}{\text{Total assets}} * 100$

Total assets

Primary activities

NMP provides copyright services to the music industry in collaboration with various collection societies. NMP ensures that money is collected and distributed so the correct rights holders get paid when the music is used.

Development in activities and finances

After one year with a global pandemic, most of the world was hoping for "better times" entering 2021. However, the pandemic showed its strengths and from thinking this would soon come to an end, the world and companies began to adjust to a changed form of working life. Working from home has become a hygiene factor for employees challenging the companies working culture going forward. I am proud to be part of a team who has showed their great ability to adopt to these unexpected changes and to stand together through difficult times, emphasizing the strong culture of NMP.

Following the departure of previous CEO Malin Skogman at the end of 2021, Tine Oswald has now taken the role of CEO, with Mark Stevens supporting as Deputy CEO. Two further internal appointments have been made to complete the new management team, with Katja Manley Østergaard as Director of Projects & Distribution and Peter Lorentzen as CIO. Further, PRS signed a new service agreement with MCPS, continuing the need for NMP's offline services through to 2025.

In 2021, the collections processed by NMP has been the highest ever in NMP's history. In total, NMP managed collections amounting to approx. DKK 958 million in 2021, which was 30% above budget and 14% increase compared to 2020. The online portfolio increased by 16% compared to 2020 and was predominately related to DSP's changing the period for backclaim and the execution of backlogs from 2020. However, the increase also stems from the offline portfolio holding up well against the continued declining market. This was driven by strong performance from the major record companies due to some big releases and a sustained upturn in vinyl sales. Further, considerable gains were seen in distributions to MCPS & NCB from Foreign societies which can generally be attributed to the general growth in streaming and broadcast re-transmissions driven by the pandemic. There were also some additional monies received by NCB from GEMA relating to a historic tax audit.

Finally, I would like to thank my dedicated colleagues who have again done fantastic work throughout another difficult year with Covid-19 and I am also grateful for the support from the NMP Board during 2021. I look forward to another successful year for NMP, continuing to deliver our mission of providing international copyright services in a transparent, reliable and cost efficient manner enabling our customers to maximize claims and distributions to their members.

Profit/loss for the year in relation to expected developments

Again, this year NMP worked with collection societies releasing historic royalties not yet distributed due to ownership issues. This, together with an increase in collections, resulted in NMP distributing DKK 767 millions to rightsholders in 2021.

The increased business managed by NMP during 2021 resulted in revenues of DKK 59 million, which was DKK 17% over budget.

The profit for the year amounted to DKK 1.8 million which management finds satisfying.

Outlook

As NMP is a non-profit organization, we always have a strong focus on cost efficiency. Naturally, a severe cost focus was still very important in 2021 due to the ongoing global pandemic. Once again NMP managed to reduce cost 3% compared to budget due to savings in FTE's and IT costs.

Looking forward to NMP's financial outlook for 2022, the budget for online collections is at the level of the 2021 actuals. The general uncertainty related to the declining offline market continues, however the general trend is expected to level for 2022 with strong Q4 21 releases and the continued gains in International monies. Thus caution on costs will continue on the operational side as ever.

The company expect a positive result for 2022 in the rage of 2021.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2021

	Notes	2021 DKK'000	2020 DKK '000
Revenue		47,009	43,047
Other external expenses		(11,212)	(9,641)
Gross profit/loss		35,797	33,406
Staff costs	2	(29,195)	(27,636)
Depreciation, amortisation and impairment losses	3	(5,363)	(4,966)
Operating profit/loss		1,239	804
Other financial expenses		(144)	(115)
Profit/loss before tax		1,095	689
Tax on profit/loss for the year	4	688	(150)
Profit/loss for the year	5	1,783	539

Balance sheet at 31.12.2021

Assets

	Notes	2021 DKK'000	2020 DKK'000
Acquired rights		6,222	6,689
Intangible assets	6	6,222	6,689
Other fixtures and fittings, tools and equipment		1,010	1,579
Property, plant and equipment	7	1,010	1,579
Deposits		603	591
Financial assets	8	603	591
Fixed assets		7,835	8,859
Trade receivables		66,357	77,668
Other receivables		1,533	193
Prepayments	9	14,194	3,781
Receivables		82,084	81,642
Cash		192,671	192,886
Current assets		274,755	274,528
Assets		282,590	283,387

Equity and liabilities

	Notes	2021 DKK'000	2020 DKK'000
Contributed capital		500	500
Reserve for development expenditure		12,458	9,910
Retained earnings		17,916	18,681
Equity		30,874	29,091
Deferred tax	10	109	797
Provisions		109	797
Prepayments received from customers		21,982	19,531
Trade payables		11,217	2,424
Payables to group enterprises		6,144	5,807
Other payables	11	212,264	225,737
Current liabilities other than provisions		251,607	253,499
Liabilities other than provisions		251,607	253,499
Equity and liabilities		282,590	283,387
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	13		

Statement of changes in equity for 2021

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	500	9,910	18,681	29,091
Transfer to reserves	0	2,548	(2,548)	0
Profit/loss for the year	0	0	1,783	1,783
Equity end of year	500	12,458	17,916	30,874

Cash flow statement for 2021

	Notes	2021 DKK'000	2020 DKK'000
Operating profit/loss		1,239	804
Amortisation, depreciation and impairment losses		5,363	4,966
Working capital changes	12	(2,346)	19,303
Cash flow from ordinary operating activities		4,256	25,073
Financial expenses paid		(144)	(115)
Cash flows from operating activities		4,112	24,958
Acquisition etc of intangible assets		(3,953)	(3,825)
Acquisition etc of property, plant and equipment		(374)	(756)
Cash flows from investing activities		(4,327)	(4,581)
Free cash flows generated from operations and investments before financing		(215)	20,377
Increase/decrease in cash and cash equivalents		(215)	20,377
Cash and cash equivalents beginning of year		192,886	172,509
Cash and cash equivalents end of year		192,671	192,886
Cash and cash equivalents at year-end are composed of:			
Cash		192,671	192,886
Cash and cash equivalents end of year		192,671	192,886

Notes

1 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2 Staff costs

	2021	2020
	DKK'000	DKK'000
Wages and salaries	25,839	24,222
Pension costs	2,677	2,584
Other social security costs	679	830
	29,195	27,636
Average number of full-time employees	46	48

	Remuneration of Management 2021 DKK'000
Board of Directors	3,446
	3,446

Referring to 98(3) of the Danish Financial Statements Act, no information of remuneration to management for 2020.

3 Depreciation, amortisation and impairment losses

	2021	2020
	DKK'000	DKK'000
Amortisation of intangible assets	4,420	4,017
Depreciation of property, plant and equipment	943	949
	5,363	4,966

4 Tax on profit/loss for the year

	2021	2020
	DKK'000	DKK'000
Current tax	0	68
Change in deferred tax	(688)	82
	(688)	150

5 Proposed distribution of profit and loss

	2021 DKK'000	2020 DKK'000
Retained earnings	1,783	539
	1,783	539

6 Intangible assets

	Acquired rights DKK'000
Cost beginning of year	88,305
Additions	3,953
Cost end of year	92,258
Amortisation and impairment losses beginning of year	(81,616)
Amortisation for the year	(4,420)
Amortisation and impairment losses end of year	(86,036)
Carrying amount end of year	6,222

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	12,693
Additions	374
Cost end of year	13,067
Depreciation and impairment losses beginning of year	(11,114)
Depreciation for the year	(943)
Depreciation and impairment losses end of year	(12,057)
Carrying amount end of year	1,010

8 Financial assets

	Deposits DKK'000
Cost beginning of year	591
Additions	12
Cost end of year	603
Carrying amount end of year	603

9 Prepayments

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

10 Deferred tax

	2021	2020
	DKK'000	DKK'000
Changes during the year		
Beginning of year	797	715
Recognised in the income statement	(688)	82
End of year	109	797

Deferred tax relates to fixed assets.

11 Other payables

	2021	2020
	DKK'000	DKK'000
VAT and duties	0	1,203
Holiday pay obligation	2,396	2,731
Other costs payable	209,868	221,803
	212,264	225,737

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

12 Changes in working capital

	2021	2020
	DKK'000	DKK'000
Increase/decrease in receivables	(440)	(24,311)
Increase/decrease in trade payables etc	(1,906)	43,614
	(2,346)	19,303

13 Unrecognised rental and lease commitments

	2021	2020
	DKK'000	DKK'000
Liabilities under rental or lease agreements until maturity in total	456	1,248

Accounting policies

Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

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

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, and 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 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 3 years. Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

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	3years
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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.

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.