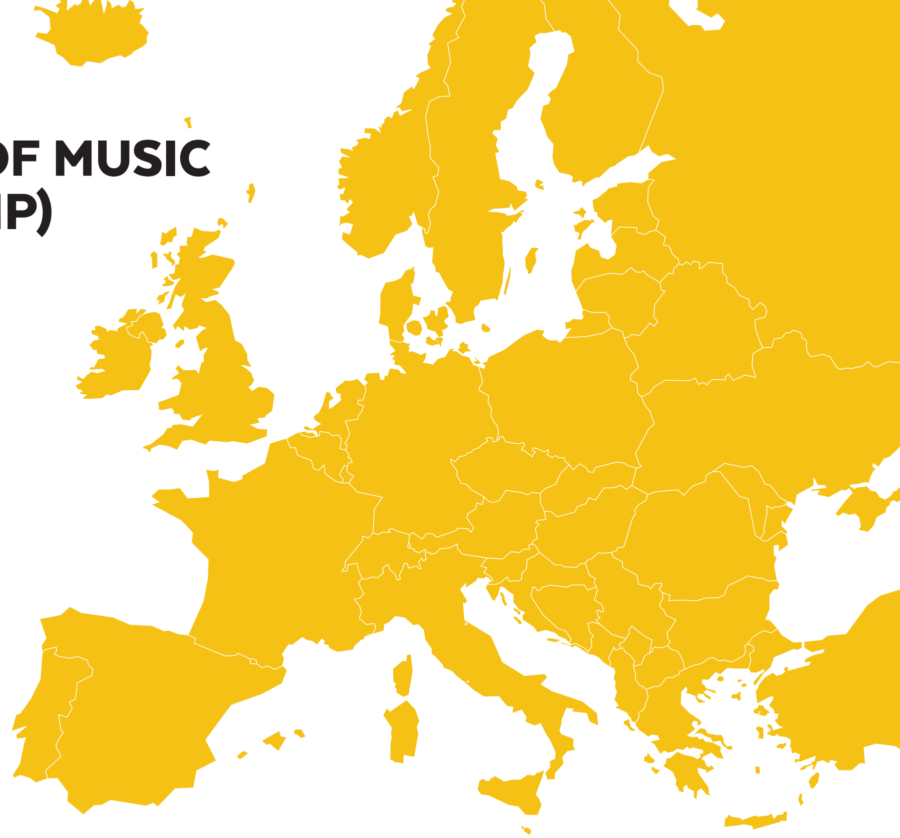
ANNUAL REPORT 2020

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 headquarter in Copenhagen with an department in London.

NMP was launched as a joint venture between the UK and the Nordics, in November 2012. Its first years were focused on stabilising operations and optimising processes with the aim of fully utilising the potential of the JV.

Nowadays, NMP has dual service areas where one is the safe handling of the declining mechanical offline business for the UK and the Nordics, and the other being the management of the growing online business for a number of collecting societies. In short, NMP takes on the responsibility of processing MCPS's offline portfolio through arrangements with PRS for Music. Further, NMP handles the Nordic offline business through agreement with NCB, the Nordic/Baltic copyright society. In recent years, collecting societies have requested support in their general transition to streaming, and thus NMP has taken on additional responsibilities by managing online administration on a Pan-European basis for the licensing entity of Koda, Tono and Teosto, the Polaris Hub. Further, NMP has successfully provided services on a multi-territorial basis for the online royalties of the Dutch collecting society Buma/Stemra since 2015.

OUR MARKETS

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."

THE YEAR OF A GLOBAL PANDEMIC

With the start of 2020, not only did we embark on a new year, but we stumbled into a new decade.

Initially, the new decade brought with it, expectations of a new era full of hope and possibilities. However, by now, no one would claim this decade started as expected. Rather, the events of 2020, bringing an entire world to a halt, was a scenario entirely unimaginable to us.

As the corona virus spread quickly from China to the rest of the world, this invisible enemy drastically changed the world as we knew it. We found ourselves in chock as society after society shut down, closing its national borders. As if in a warzone, governments quickly reduced personal freedom, a freedom we had come to take for granted. Unsurprisingly, the virus injected us with fear and we quickly adhered to a lifestyle bound by restrictions. By late summer 2020, an exhaustion from living in isolation hit us and with stats slowly improved, we were filled with optimism, thinking we had won the battle against the virus. We were wrong; the virus returned with strong force as a second wave unfolded. By now, well into next year, the pandemic keeps us in a grip.

Clearly, the drastic actions taken by governments in 2020, were necessary to protect the most vulnerable around us and as such, measures taken by a whole world, showed an astonishing support of a complex collective act.

However, other effects of the pandemic are also emerging: mental health issues are a rising concern and a potential recession hovers over us. After all, many industries suffer greatly, and the music industry is no exception. The cancellation of concerts and festivals combined with music silicent in the bars and restaurant closures, continue to impact many parties of this industry.

Thankfully though, the pandemic did not kill human creativity, on the contrary, it unleashed it. During lockdowns, we explored our creativity from our homes. As such, music creation and music consumption remain stable. After all, music provides comfort, gives us a sense of normality and nostalgia. The pandemic has proven just how vital a role music plays in our lives.

Luckily, several vaccines are currently rolled out and with them we should soon return to normality. But what lessons are we to take with us from this historic experience? It may be too soon to answer, but as our thoughts go to those who lost loved ones to the virus, we know that one thing we have learned for certain is the importance of being able to spend time with family, friends and loved ones. This is something few of us will ever take for granted again.

MANAGEMENT'S COMMENTARY

In a world suddenly faced with a health crisis, organizations were put to a test in their ability to swiftly acclimate. Never was it more important to manage with deep empathy, protecting the most valuable part of an organization: its staff.

Naturally, having the right people in place, people truly dedicated and flexible, enhances chances that "the show may go on", even in turbulent times. While the demands of the pandemic certainly tested everyone's resilience, NMP staff had little difficulty acclimating. In fact, our 2020 result showed that the year turned out to be more than an adequate year for NMP.

With public performance revenues temporarily drying up at collection societies, NMP easily spotted that the importance of other revenue streams would increase and that *all eyes would turn to streaming*. Even the good old offline royalties entered the stage for once. After all, music unites us and honoring our commitment of maximizing payments for music usage, securing swift payments to its creators, felt like an even more noble act in 2020.

In terms of distributions to rightsholders, NMP has distributed approx. **5.7bn DKK** throughout its lifetime. With more direct licensing now processed, distributions are expected to increase quickly. Also, aware that rightsholders' income was greatly impacted by lockdowns, NMP worked with collection societies releasing historic royalties not yet distributed due to ownership issues. These efforts led to an extra-large distribution by NMP in December 2020 with another large to follow early 2021.

In total, NMP managed collections amounting to approx. 800m DKK in 2020, which was 21% above budget and a 4% increase compared to 2019. The increase in collections stems from the online portfolios, which increased by 12% compared to 2019. The offline portfolios saw a different trend; the Nordic offline volumes dropped significantly compared to 2019, but this was predominantly due to the 2019 one-time-high collection handling of historic funds that had been withheld by German tax authorities. In total, offline collections only decreased by 1% in 2020 as the managed UK (offline) collections remained strong.

NMP's 2020 results ties into several recent accomplishments within NMP:

Firstly, a new contract with Buma/Stemra was finalized just before the pandemic hit. This contract was gained in competition with others and covers Buma's national and pan-euro licensing (PEL) deals. From an internal handling perspective, responsibilities to administer the portfolio implied a *quadrupling* of monthly files. However, through cautious automation in NMP's operation, only minor FTE increases were needed.

Secondly, a futureproofing of NMP's platform, the exploration of the cloud, continued in 2020. With it, less expensive on-demand capacity for the vast data processing in relation to PEL became available.

Thirdly, in 2019 NMP implemented the industry standard 2-stage claims process, enabling NMP to back claim. This meant NMP could harvest historic claims for its customers, further contributing to annual collections. The search for more royalty value was managed by a small NMP ops team, who added such processing to their busy schedules. Nothing less than good teamwork lies behind it, as it also turned into a superb comeback after the loss of the so-called Residual.

Forth, in 2020 plethora time was spent onboarding the Polaris Hub. While the formation of the Hub resembled its predecessor (NCB), Polaris' expansion to territories beyond the Nordics, required lots of changes. In Q4, Polaris and NMP raised their arms to the sky as the new deals were successfully processed.

In terms of offline volumes, Q2-Q3 2020 initally caused profound concerns of accelerated loss in these collections due to shut stores. However, our UK team put in an extra gear and secured more value to MCPS' members, ultimately steering away from the accelerated decline.

Finally, as if still being a new-kid-on-the-block, NMP celebrated its 8th operational year in 2020. As said by former chairman Anders Lassen: *"NMP remains a very fine example of cross border, cross society collaboration in the music industry with the idea being that collaborations create synergies and economies of scale in a world, where offline mechanical music usage is decreasing, and it becomes more relevant to join forces to reduce cost through synergies and shared systems. Similarly, increasing volumes in the online usage demands that collecting societies work together to reduce cost for rights holders."*

With this excellent statement, it should be emphasized that the above achievements in NMP occurred whilst corona restrictions were enforced. In short, regardless of where we worked, our team collaborated efficiently and in high spirits.

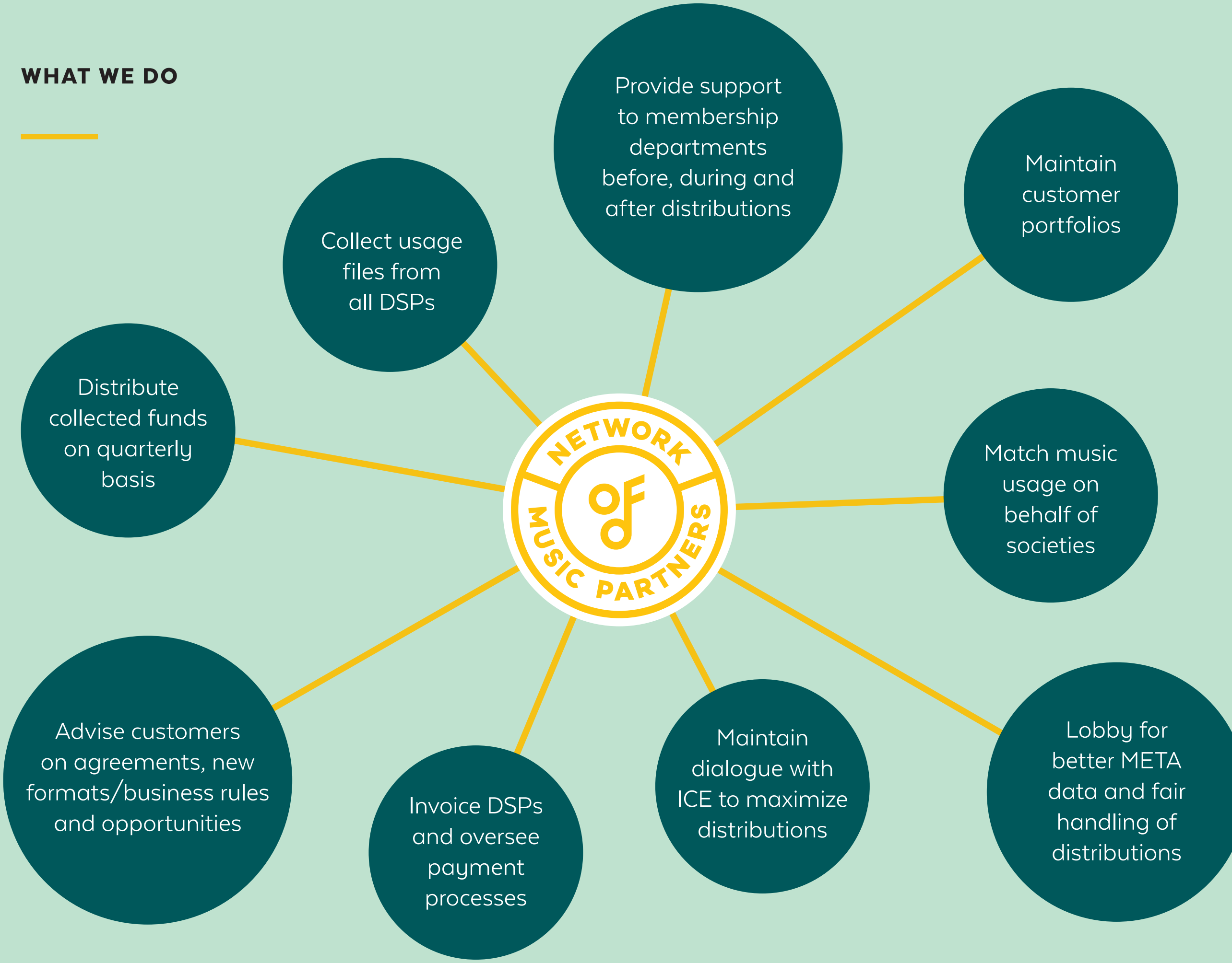
I respectfully thank all my great colleagues for having mastered this difficult year. Your dedication and loyalty are greatly valued. 2020 was not easy but we must recall it also brought some good laughs to all as we transitioned to a full digital format. I also thank NMP's customers for their corporation in 2020 and finally, thanks to the NMP Board for their support.

"It is the long history of humankind that those who learned to collaborate and improvise most effectively have prevailed."

– Charles Darwin

Malin Skogman
CEO

WHAT WE DO


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
NETWORK MUSIC PARTNERS
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 2021

Despite a difficult year due to the Covid-19 crisis, NMP has delivered yet another solid financial result in 2020. Customers' collections increased by 4% compared to 2019. The total increase stems from 12% more online collections compared to 2019 and a slight decrease in offline collections compared to the year before. Due to lockdowns, NMP had expected a bigger decline in offline collections, but the team succeeded in getting extra services through our system. The growth in online collections during 2020 is, just like last year, is just like last year, directly linked to the fact that NMP, on behalf of its customers, is processing more PEL royalties during the year. The increased business managed by NMP during 2020 resulted in revenues of DKK 53 million, which was DKK 5.1 million over budget.

As NMP is a non-profit organization, we always have a strong focus on cost efficiency. Naturally, a severe cost focus was even more important in 2020 due to the global Covid-19 crisis and the huge impact that the pandemic has had on rightsholders remuneration. By reviewing which costs could be expendable and which could be deferred to 2021, NMP managed to save 7.8% on operational costs in 2020 compared to its budget. Cost savings were primarily related to FTEs, IT investments, and annual travel costs. As a result, NMP was able to pass on cost reductions to its owners, who continuously invest in NMP's systems year-on-year.

2020 was another busy year for the finance team. In particular, the onboarding of the Polaris Hub, which implied lots of changes in the financial flow, requiring the small finance team to learn more about the business to ensure continued stable support. Further, the finance team focused on optimizing processes and systems together with NMP's operational team. One of the focus areas for NMP finance is to strengthen collaboration with customers' finance responsibles, to enhance general dialogue and transparency as well as financial reporting.

Predicting NMP's financial outlook for 2021 is challenging, considering the continued lockdowns throughout the world. However, it is likely that collections will continue to increase for NMP's managed online business, in particular now that more PEL agreements are in place for the Nordic customers. On the other hand, a general uncertainty related to the declining offline market continues to challenge NMP's overall predictions. Thus, caution on costs will continue on the operational side and potential necessary investments shall require further alignment between stakeholders ahead.

Diana Lindorf Børjesson
CFO

TEAMWORK DURING A PANDEMIC

Working as a team during the 2020 pandemic has not been without challenges. Significant efforts have been made to get as close as possible to the collaborative environment and strong sense of community that defines NMP.

The effects of the pandemic may have accelerated the process. However, with the advantage of previously having used software platforms to interact and engage with colleagues across borders, the initial boundaries in this, still, new way of working, was easily broken down.

The remote teamwork solution proved to be a sufficient tool for project team management, using regular check-ins, synchronous work meetings, shared working documents and so on. The delivered quality, the experienced productivity, and overall financial result for NMP for 2020 shows no signs of negative impact due to the changed working conditions.

Stimulation of the team's motivation and general mental health during this year's lockdown(s) was a challenge NMP, like other companies, had to embrace. To avert the subsequent lack of both formal and informal human interaction, various initiatives were initiated, ranging from morning coffee check-ins, over simulated casual Friday drinks to a virtual Christmas bingo.

The delivered quality, the experienced productivity, and overall financial result for NMP for 2020 shows no signs of negative impact due to the changed working conditions.


OUR VALUES
WE PUT CUSTOMERS FIRST
WE ARE EFFICIENT
WE ARE SOLUTION ORIENTED AND INNOVATIVE
WE ARE RESPECTFUL AND SUPPORTIVE

NMP SIGNS A 2-YEAR DEAL WITH BUMA/STEMRA

In March 2020, Buma/Stemra signed a new direct deal with NMP after a deep analysis of their benchmark results gained during 2019.

NMP had been benchmarked against some 4 other middle/back office providers and had turned out on top due to a more precise matching, leading to more revenue being gained for Buma/Stemra's members.

Furthermore, the new contract included the processing of Buma/Stemra's Pan-Euro licensing agreements, thereby leading to a much larger portfolio than the historic agreement, which was limited to national processing.

The decision to enter a deal directly with NMP was indeed also affected by the close and pragmatic relationship between NMP and Buma/Stemra in recent years. We are very proud that the journey can continue, allowing us to further increase relations with Buma/Stemra and finding ways to benefit their members.

Michael Mortensen-Heiberg
Business Relationship Manager

NMP ENTERS 2-YEAR AGREEMENT WITH THE POLARIS HUB

As 2020 came to a close, NMP finalized a 2-year agreement with the Polaris Hub, the front office hub representing the Nordic societies Tono (NO), Teosto (FI), Koda (DK) and Stef (IS).

The Polaris Hub is an entity with the legal responsibility of negotiating Pan-European licensing deals on behalf of these Nordic societies.

By entering the agreement with the Polaris Hub, NMP will provide the middle and back office services to the Hub, including invoicing and dunning to all DSPs having a licensing agreement with the Hub. In addition, NMP will match and distribute the royalties to the Nordic societies' members for their gained income royalties on national as well as the Pan-European Markets.

This extended arrangement between NMP and the Polaris Hub may seem like a natural expansion of the current, individual agreements with the Polaris Hub partners. However, the addition of the Pan-European Markets across the included societies is a significant task that adds substantial volume to the NMP business. Further, the extension provides means for the Nordic societies to secure income for their members in a much swifter manner than before.

We are proud and excited to embark on this Pan-European journey with the Polaris Hub, which we have confidence has great potential for everyone involved.

Claus Thune
Director of Business Development

OFFLINE PROCESSING – REDUCED COSTS AND CONTINUED STRONG UK VOLUMES

During 2020, with the global COVID-19 pandemic in full flow, one of the areas that has been negatively impacted is the offline physical product market. Both the Nordic and UK physical markets, which are already facing substantial year-on-year declines, were affected during the year with shops being closed during lockdown periods, particularly in the UK.

NMP has therefore sought to reduce its costs in the offline teams, through streamlining processes and reducing unnecessary manual tasks where possible.

Although the effects of the pandemic have certainly been felt on the 2020 revenues in the UK, volumes being processed remain strong and there have been some positive gains in some areas through good collaborative working with the PRS Licensing teams and targeted exercises on previous unclaimed royalties. International revenues have remained strong due to catch up exercises conducted with some affiliate societies, and there have been some unexpected gains in the Central Licensing Agreements from D2C (Direct To Consumer) sales.

NMP has also continued to work closely with ICE on consolidating works data and updating previously unclaimed copyright control shares, thus boosting back claim invoice values.

In the year to come, as the offline market continues to decline, such close collaboration between all parties involved aimed at ensuring rightsholders' value is maximized, will remain and become even more important.

Mark Stevens
Director Offline Services

STRONG GROWTH IN COLLECTION RELATED TO PAN-EURO DEALS

The Covid-19 lockdown of 2020 generated an immediate "sense of urgency" for collecting societies to accelerate the handling of streaming claims in a clean, correct, and rapid manner leading to maximized remuneration to their rightsholders. The "sense of urgency" was enhanced as revenues in other areas had fallen significantly.

As known to some, NMP has long been a processing hub for Multi-Territorial Licensing (MTL), albeit, historically limited to the Nordic territories. As such, foreign claims (usage outside the Nordic territory), were historically handled by reciprocal agreements with sister societies throughout Europe. However, the benefit for collecting societies to direct license throughout Europe is very tangible as claims are issued directly to the DSP for multiple territories, making it possible to secure renumerations quicker and more accurately. The general digitalization of the industry implies that reciprocal agreements in some territories are regarded as only making the value chain longer, slowing down the turnaround, and putting renumeration at risk of not having adequate accuracy as works identification may have when identified "closer to home".

Therefore, NMP initiated an expansion of its administration services based on Pan-Euro Licensing (PEL) in agreement with Buma/Stemra back in 2018. Such services were extended with more direct deals between Buma/Stemra and the DSPs in 2019 and during 2020, NMP also on-boarded a PEL processing for the new Polaris Hub.

In sum, it is safe to say that NMP is efficient and top of class in royalties handling and swift operational adaptability. The NMP team has experience not only in adapting and implementing new technology, but the team also has important knowledge of procedures in usage handling. NMP has further proven to have a very strong match rate, and based on conversations in the industry, NMP is considered among the best in claims handling.

Internally, the PEL services led to the amount of usage files being quadrupled. This increase in workload has been managed by adapting automated workflows to scale and to work smarter with these additional collections. In all, the additional collections gained in 2020 from PEL agreements generated an 15% increase in overall online collection value.

NMP is very pleased that both the implemented 2-stage invoicing as well as the recently gained PEL processing was readily available for NMP's associated CMOs and their rightsholders, especially during the challenging pandemic. The agility and speed of the NMP organization to adapt to the industry standards could not have come at a better time in history.

Kristian Mortensen
Director of Online Services

TECH INVESTMENTS – CLOUD PROCESSING

Two significant industry standards were introduced during the previous year, one allowing for multiple revisits to the same usage file received from the DSPs (Digital Service Provider), and two the implementation of multi-context invoices allowing the DSPs to include multiple product tiers in one usage file, accumulating to multiple visits to much larger files.

Additionally, the recent onboarding of the Polaris Hub, the number of usage files received from the DSPs almost doubled.

In order for NMP to live up to the best-in-class industry performance objective, the demand for both storage as well as scalable processing power grew exponentially with the growing business.

With experience from the recent cloud-based BI solution, NMP decided to test the possibility of moving usage file processing to the cloud, kicking off with a proof-of-concept in late 2019, exploring various vendors and solutions, test results and deciding on the platform and the partner.

After reviewing our promising result from the proof-of-concept in early 2020, NMP took the initial steps bringing critical, resource heavy parts of our online processing to the cloud beginning with the largest DSP, Spotify, and by the end of 2020, including YouTube and Apple Music. Launching with these three major DSPs, all with their individual reporting formats, NMP has now built a generic engine that can easily onboard both new and existing DSPs.

Harnessing cloud technology means NMP now is in possession of on-demand computing power and data storage. Flexible and cost-efficient ways to scale processing capacity are gained, and the on-demand availability adds significant speed to NMP's data processing.

ONLINE PROCESSING - CLEAN CLAIMS WITH 2-STAGE INVOICING

A considerable trend in recent years towards more streaming services revealed the industry's lack of a standardized claims handling. This lack of standardization, or rather lack of industry-defined best-practices for managing claims, implies an apparent risk of royalty payments being hindered or delayed due to rising disputes and overclaims.

One key goal for NMP is to ensure that its customers, the collecting societies, receive a high level of service in regard to their outsourced rights administration to NMP. Such service levels are naturally aimed at ensuring societies' members gain as much revenue as possible. Due to the 2020 Covid-19 lockdown, where revenues from public performances were dramatically reduced, affecting a wide range of people working in and around the public performance area, rightsholders were one of these groups seeing income shrink significantly. Therefore, when the lockdowns started, NMP was eager to prove that its recent adaptions of a new claims handling, built on industry best-practices, was swiftly put to use. The adaptions made are referred to the clean claims process built on a 2-stage invoicing setup.

As stated, luckily NMP had launched its adapted claims processing, set forth by The Technical Online Working Group (TOWGE) by end 2019, just ahead of the outbreak of the global pandemic. To explain the adaptions made, one must understand the complexity involved in the online administration:

In a world where processing entities such as NMP, request usage data from a DSP containing streams/downloads in a vast number of territories, such usage data consists not only of enormous data volumes, but its data is highly fragmented in terms of what repertoire each processing entity actually represents. This means that the ability to identify one's own repertoire in these enormous data volumes becomes an exercise of massive data-digging, demanding significant processing capacity.

Naturally, not all music can be identified close to usage time. This could be due to inadequate metadata of a streamed song, or due to the work not (yet) being registered appropriately. Regardless, a usage file from a DSP usually leaves a number of unclaimed shares behind, also referred to as a residual. Prior to the definition of the industry best-practices for claims handling, the residual handling was managed in different ways by various processing entities.

Following the 2019 launch of best-practices for clean claims, defined by the TOWGE, it was agreed to that DSPs were only invoiced for shares of 100% identified works. Such invoicing was to occur in multiple stages, allowing as much identification to occur over time as possible. In essence, it meant that a first claim was initiated immediately upon receipt of the usage file from the digital service provider (DSP), where an entity, such as NMP, is claiming on repertoire that is instantly recognized, and consequently kickstarting an accelerated distribution of royalties to the rightsholders.

This first claim is followed by one or more back claims to ensure that repertoire identified later in the process is correctly claimed according to the most recent updated data captures, hereby limiting the number of potential disputes, double claims or under claims. The described process is referred to the 2-stage invoicing process. However, since one or more back claims are indeed possible, the process may also be referred to a multi-stage invoicing process or the MSI process.

Further, parties agreed to a deadline for when a final back claim must occur, after which the DSP can no longer be invoiced for usage. Any non-invoiced usage value remaining after the deadline of this final back claim, now constitutes the residual. Such residual was agreed to be invoiced to DSPs based on the market share represented by a licensor in the given territory. Thus, with the implementation of the clean claim principals, and in extension of the two-stage-invoicing process, the split of the residual based on the market-share, NMP is future-proofed in providing best-in-class collection and distribution services to rightsholders. Operationally, NMP fulfilled the industry standard requirements of implementing procedures of making only clean claims and having implemented both first invoices and final back claims routines. The insights from these new procedures, and the value thereof, are being shared with our customers.

THE UK/NORDIC JOINT VENTURE 2012-2019

BELOW ARE SOME KEY HIGHLIGHTS OF NMP'S 8-YEAR JOURNEY

2012

- The joint venture Network of Music Partners is officially born

2013

- Focus on operational stability with highly automated processes for MCPS/NCB
- NMP's managed portfolio 100% mechanical offline

2014

- Polaris (Koda, Tono, Teosto) online administration transfers from NCB to NMP, FTEs exceed 65
- New deal signed with Buma/Stemra in collaboration with ICE

2015

- Commencement of services to Buma/Stemra
- Decommissioning Nordic Copyright database and transition to ICE Copyright
- NMP assumes full financial responsibility for Polaris online
- NMP relocation and re-branding

2016

- NMP pitches on extensive offline opportunity
- MCPS' tender announced, posing uncertainty for JV continuation
- Stable financial result as online grows

2017

- MCPS enters 5-year deal with PRS, JV risk resolved
- Polaris continues online processing with NMP
- NMP receives very strong results in its customer survey
- Growth in online with stable costs lead to good outcome

2018

- NMP launches initial PEL services through direct deal with Buma/Stemra
- Loss of residual handling as industry pushes for new claims processing
- NMP releases new Business Intelligence solution
- Polaris launches joint licensing Hub with intention of using NMP as middle and- backoffice

2019

- New standardized claims process launched in line with "best practices".
- NMP wins a Benchmark Exercise in competition with other providers
- NMP reaches milestone of totalling DKK 7 billion in distributions
- Historic investments paid off and new cost mechanism replaced reflecting evolvement in NMP's scope of business
- NMP's portfolio reaches a near 50/50% ratio between Offline and Online

2020...

- A global pandemic unfolds
- NMP and Buma/Stemra sign 2-year deal for National & PEL administration
- Onboarding of Polaris Hub with national and PEL online administration services
- NMP launches new Cloud solution futureproofing its IT-platform
- NMP processes significant royalties from historic back claims

NMP STAFF

Reflecting on the past 12 months, there is an overwhelming sense of pride and gratitude to everyone involved at NMP backstage.

In 2020, despite the challenging situation, staff worked together, followed restrictions, made various sacrifices, which ultimately enabled us to be in a position where we could conclude that we had managed not only to carry out our duties, but even exceed expectations in terms of having managed more claims for music usage and subsequently pay out more money to rightsholders. Such great achievement was possible only by solid teamwork. In short, teamwork is a core value in the UK/Nordic joint venture. Always has been, always will be.

Our lean team, consisting of only 47 FTEs, quickly adjusted to new routines under the implemented lockdowns across both Denmark and the United Kingdom. As the NMP business continued to grow during the pandemic, the necessary onboarding of new teammates could not be postponed. Early 2020, just as the pandemic had required everyone to work from home, NMP expanded its team with two new managers, both music veterans: Kristian Mortensen was first to join NMP as Director of Online Services. He took a firm grip on the operational responsibilities and together with his team secured stable services in line with SLAs, including the new Buma/Stemra deal. Claus Thune, joining NMP in May, assumed the role as Director of Business Development and worked with the NMP team to secure the onboarding of the new Polaris Hub under a revised configuration resulting in a 2-year deal. Apart from the two new managers onboarding, NMP also secured more staff with key competencies for the IT and operations activities of NMP during 2020.

In short, teamwork is a core value in the UK/Nordic joint venture. Always has been, always will be.

Management understands that attracting and sustaining talents means competing with other companies in the industry. Therefore, as NMP wants to be an attractive employer, NMP's attractiveness assessment was investigated by staff satisfaction survey in December 2020. As in 2019, its result was more than satisfactory. Its results showed very strong alignment on NMP's core values combined with an employee confirmation that they appreciate working as a team. This confirmation remains particularly important to management as it is regarded a key factor to general resilience and gaining progress.

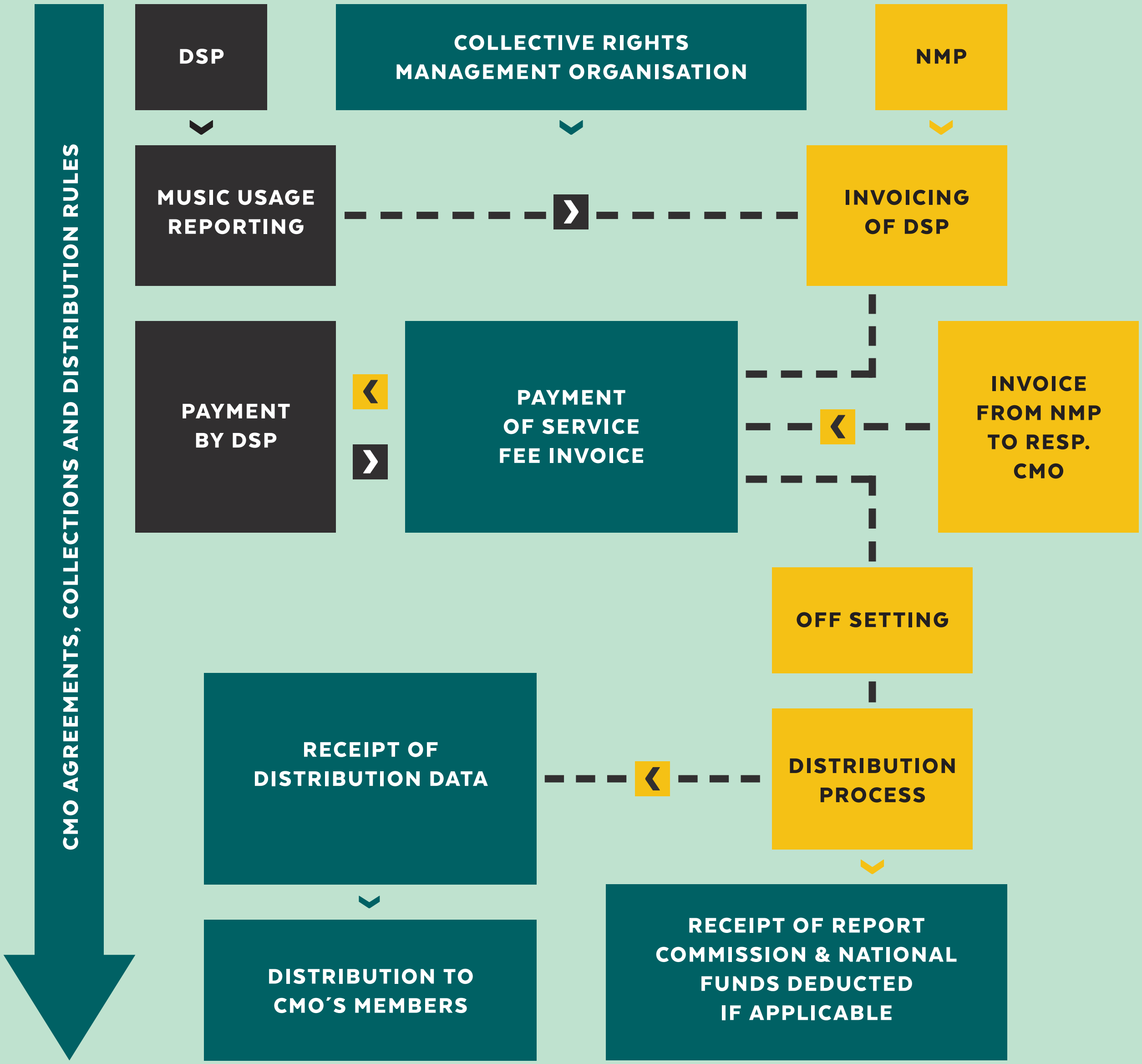
Looking ahead, NMP's culture, its composition of new and more experienced employees, its mixture of tech and ops folks, with managers focused on leading their teams through empowerment and clearly defined goals, shall remain our ambition for 2021 and beyond.


cupboard, you
swing 'Cept
Engines stop
brother, you
wanna shout
yellowy eyes
NETWORK
OF MUSIC
PARTNERS
NETWORK OF MUSIC PARTNERS IS A JOINT VENTURE BY PRS FOR MUSIC AND NCB. IT WAS FOUNDED IN 2012 AND HAS OPERATIONS IN COPENHAGEN AND LONDON.
WE OFFER PROFESSIONAL SERVICES TO OUR CUSTOMERS THAT ARE TRANSPARENT, DEPENDABLE AND COST EFFICIENT.
WE AIM AT DELIVERING HIGH QUALITY SERVICES AS EFFICIENTLY AS POSSIBLE AT THE LOWEST POSSIBLE EXPENSE FOR THE RIGHTS HOLDERS.


TECHNICAL DESIGN SPECIFICATIONS
4,2

THE NMP PROCESS

THIS IS HOW NMP'S ADMINISTRATION PROCESS WORKS



HELPING MUSIC PROSPER. THROUGH NETWORK PARTNERSHIPS.

OUR CUSTOMERS

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RISTO SALMINEN
CEO TEOSTO

ANDREA C. MARTIN
CEO PRS FOR MUSIC

LAURA GOLDING
DIRECTOR OF FINANCE & INTERNATIONAL PARTNERSHIPS, PRS FOR MUSIC

SIMON PLATZ
MANAGING DIRECTOR BUCKS MUSIC GROUP

CATO STRØM (Observer)
CEO TONO

STEVE BURTON (Observer)
COO MCPS

KATJA MANLEY ØSTERGAARD
EMPLOYEE REPRESENTATIVE

FINANCIAL REPORT 2020

FINANCIAL RESULT 2020

FINANCIAL HIGHLIGHTS

	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000
KEY FIGURES					
Revenue	43.047	51.510	54.886	55.039	61.616
Gross profit/loss	33.405	39.513	45.247	44.880	48.475
Operating profit/loss	802	785	4.172	4.229	4.700
Net financials	(115)	(107)	(99)	(105)	(49)
Profit/loss for the year	536	466	3.334	3.276	3.557
Total assets	283.389	239.115	253.054	229.781	139.589
Investments in property, plant and equipment	756	1813	185	2.882	11
Equity	29.084	28.548	42.082	48.748	55.472
RATIOS					
Gross margin (%)	77,6	76,7	82,4	81,5	78,7
Net margin (%)	1,2	0,9	6,1	6,0	5,8
Return on equity (%)	1,9	1,3	7,3	6,3	6,3
Equity ratio (%)	10,3	11,9	16,6	21,2	39,7

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 (%)	Gross profit/loss x 100 Revenue	The entity's operating gearing.
Net margin (%)	Profit/loss for the year x 100 Revenue	The entity's operating profitability.
Return on equity (%)	Profit/loss for the year x 100 Average equity	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	Equity x 100 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 01.01.2020–31.12.2020.

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 31.12.2020 and of the results of its operations and cash flows for the financial year 01.01.2020–31.12.2020.

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, 29.03.2021

Board of directors

Gorm Arildsen

Laura Golding

Karsten Dyhrberg Nielsen

Simon Platz

Risto Salminen

Katja Manly Østergaard

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 01.01.2020–31.12.2020, 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 31.12.2020 and of the results of its operations and cash flows for the financial year 01.01.2020–31.12.2020 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, 29.03.2021

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 2020

	NOTES	2020 DKK'000	2019 DKK'000
Revenue		43.047	51.510
Other external expenses		(9.642)	(11.996)
Gross profit/loss		**33.405**	**39.513**
Staff costs	1	(27.637)	(26.546)
Depreciation, amortisation and impairment losses	2	(4.966)	(12.182)
Operating profit/loss		**802**	**785**
Other financial income		0	0
Other financial expenses		(115)	(107)
Profit/loss before tax		**687**	**678**
Tax on profit/loss for the year	3	(150)	(212)
PROFIT/LOSS FOR THE YEAR	**4**	**536**	**466**

BALANCE SHEET AT 31.12.2020

	NOTES	2020 DKK'000	2019 DKK'000
Aquired rights		6.689	5.968
Development projects		0	1.183
Intangible assets	**5**	**6.689**	**6.880**
Other fixtures and fittings, tools and equipment		1.579	1.808
Property, plant and equipment	**6**	**1.579**	**1.808**
Deposits		591	580
Fixed assets investments	**7**	**591**	**580**
FIXED ASSETS		**8.859**	**9.269**
Trade receivables		77.669	54.765
Receivables from group enterprises		0	0
Deferred tax	9	0	0
Other receivables		194	1.025
Prepayments	8	3.781	1.547
Receivables		**81.644**	**57.337**
Cash		**192.886**	**172.509**
CURRENT ASSETS		**274.530**	**229.846**
ASSETS		**283.389**	**239.115**
Contributed capital		500	500
Reserve for development expenditure		9.910	7.471
Retained earnings		18.674	20.577
EQUITY		**29.084**	**28.548**
Deferred tax	9	797	715
PROVISIONS		**797**	**715**
Other payables		0	612
Non-current liabilities		**0**	**612**
Prepayments received from customers		19.531	13.527
Payables to group enterprises		5.807	801
Trade payables		2.424	2.730
Income tax payable		0	506
Other payables	10	225.746	191.676
Current liabilities other than provisions		**253.508**	**209.240**
LIABILITIES OTHER THAN PROVISIONS		**253.508**	**209.240**
EQUITY AND LIABILITIES		**283.389**	**239.115**

STATEMENT OF CHANGES IN EQUITY FOR 2020

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Proposed extraordinary dividend DKK'000
Equity beginning of year	500	7.471	20.577	0
Ordinary dividend paid	0	0	0	0
Transfer to reserves	0	2.439	(2.439)	0
Profit/loss for the year	0	0	536	0
Equity end of year	**500**	**9.910**	**18.674**	**0**

	Total DKK
Equity beginning of year	28.548
Ordinary dividend paid	0
Transfer to reserves	0
Profit/loss for the year	536
Equity end of year	**29.084**

CASH FLOW STATEMENT 2020

	NOTES	2020 DKK'000	2019 DKK'000
Operating profit/loss		802	785
Amortisation, depreciation and impairment losses		4.966	12.182
Working capital changes	11	19.307	(7.018)
Cash flow from ordinary operating activities		**25.074**	**5.950**
Financial income received		0	0
Financial expenses paid		(115)	(107)
Cash flows from operating activities		**24.959**	**5.842**
Acquisition etc of property, plant and equipment		(756)	(1.813)
Acquisition etc of intangible assets		(3.825)	(5.105)
Cash flows from investing activities		**(4.582)**	**(6.919)**
Dividend paid		0	(14.000)
Cash flows from financing activities		**0**	**(14.000)**
Increase/decrease in cash and cash equivalents		**20.377**	**(15.076)**
Cash and cash equivalents beginning of year		172.509	187.585
CASH AND CASH EQUIVALENTS END OF YEAR		**192.886**	**172.509**

NOTES

	2020 DKK'000	2019 DKK'000
1. STAFF COSTS		
Wages and salaries	24.222	23.428
Pension costs	2.584	2.442
Other social security costs	830	677
	27.637	**26.546**
Average number of employees	48	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	4.017	10.450
Depreciation of property, plant and equipment	949	1.732
Impairment losses on property, plant and equipment	0	0
	4.966	**12.182**
3. TAX ON PROFIT/LOSS FOR THE YEAR		
Tax current year taxable income	68	551
Change in deferred tax for the year	82	(386)
Adjustment concerning previous years	0	47
	150	**212**
4. PROPOSED DISTRIBUTION OF PROFIT/LOSS		
Extraordinary dividend distributed in the financial year	0	14.000
Retained earnings	536	(13.534)
	536	**466**

	Development projects	Aquired rights DKK'000
5. INTANGIBLE ASSETS		
Cost beginning of year	1.183	83.297
Additions	0	5.008
Disposals	(1.183)	0
Cost end of year	**(1.183)**	**88.305**
Amortisation and impairment losses beginning of year	0	(77.600)
Amortisation for the year	0	(4.017)
Amortisation and impairment losses end of year	**0**	**(81.617)**
Carrying amount end of year	**0**	**6.689**

Additions 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 maintaining and improving the revenue stream. Furthermore additions is related to development of Business Intelligence solution.

	Other fixtures and fittings, tools and equipment DKK'000
6. PROPERTY, PLANT AND EQUIPMENT	
Cost beginning of year	11.937
Additions	756
Disposals	0
Cost end of year	**12.693**
Depreciation and impairment losses beginning of the year	(10.129)
Depreciation for the year	(985)
Disposals	0
Depreciation and impairment losses end of the year	**(11.114)**
Carrying amount end of year	**1.579**

	Deposits DKK'000
7. FIXED ASSET INVESTMENTS	
Cost beginning of year	580
Additions	11
Cost end of year	**591**
Carrying amount end of year	**591**

8. PREPAYMENTS

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

9. DEFERRED TAX

Deferred tax relates to fixed assets.

	2020 DKK'000	2019 DKK'000
10. OTHER PAYABLES		
Payables – Holiday pay etc.	(2.731)	(2.129)
Other payables	(15.380)	(4.984)
Outstanding DSPs	(80.953)	(55.013)
Indistributed royalties	(126.681)	(129.551)
	(225.746)	**(191.676)**
11. CHANGE IN WORKING CAPITAL		
Increase/decrease in receivables	(24.307)	(6.426)
Increase/decrease in trade payables etc	43.613	(592)
	19.307	**(7.018)**
12. UNRECOGNISED RENTAL AND LEASE COMMITMENTS		
Hereof liabilities under rental or lease agreements until maturity in total	**1.248**	**1.485**

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 2020

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.

NETWORK of MUSIC PARTNERS

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