

DEAR READER

2018 was an eventful year for TONO. Founded in 1928, during its 90th year, TONO found itself engaged in demanding struggles on numerous fronts, but looking back on the year as a whole, it is a pleasure to report that the year culminated with good financial results for the organisation, accompanied by many other important victories.

In May 2018, the Norwegian Parliament adopted a new Copyright Act that had been a long time coming, not least after postponement of the process in 2017. The parliamentary process revealed that rigid fronts had formed between creators and artists on the one side, and producers, broadcasters and distributors on the other. We witnessed previously unprecedented solidarity between creators and artists. Ably assisted not least by TONO's members, the MPs listened. The Norwegian parliament adopted an act that was satisfactory to creators and artists. It was especially interesting to see that the largest newspaper publishers in Norway devoted editorial space to supporting the rightsholders' fight for stronger protection for creators and performing artists.

Another profoundly important case on what we might refer to as the judicial side was TONO's Supreme Court victory over RiksTV. The case had been circulating in the courts for 6 years, with victories for TONO at every level. Prior to that, negotiations had been conducted between the rightsholders and RiksTV for several years. The Supreme Court judgment confirms that distributors' activities constitute 'making available to the general public', which requires consent from the rightsholders. This is important for all groups of rightsholders, be they creators or performers/artists. RiksTV was ordered to pay TONO MNOK 8.3 in legal costs, and TONO has given notice that it will be filing a claim for damages that may add up to a three-digit number of MNOK.

It was a milestone in TONO's history in 2014, when we recorded revenues in excess of half a billion NOK. In 2018, revenues had increased by an additional MNOK 200 to MNOK 707.3, at the same time as costs remained at the same level as in 2014. Measured as a percentage of revenues, costs in 2018 were the lowest in TONO's history: 11.3 per cent. There are several reasons for the growth in revenues: A satisfactory legal framework, a music-loving nation, talented and active TONO members, and the dedicated efforts of the 63 employees in TONO's administration, who do a fantastic job of negotiating, licensing, invoicing and keeping track of payments for music that is performed. Broadcasting is still TONO's largest area, but online revenues are starting to run a close second. In addition, the concert area and the use of Norwegian music abroad are generating growing revenues.

Despite record revenues, we are well aware that many TONO members are finding it difficult to earn a living from playing music. A report compiled by BI:CCI and Menon Economics on commission for the Ministry of Culture was published in March 2019. It pointed out the dire straits of musicians and creators, not least against the backdrop of low percentages of Norwegian music. A great deal of foreign music is played in Norway, meaning that TONO distributes the majority of its revenues to creators in other countries. At the same time, digitisation has enabled the number of music releases to increase dramatically. In 2018, we calculated remuneration for 176 000 individuals. These days, funds for distribution are divided among far more people than just a years ago. This is a winners' market. Relatively few earn a relatively large share of the money.

International cooperation is essential for TONO. Since 2016, we have been deeply involved in working on the

new EU directive for the digital field, not least through representation on several groups of international experts through Gesac, the European collection societies' lobby organisation in Brussels. The directive was finally adopted in March 2019, making it a matter of course for companies behind user-generated platforms to meet TONO at the negotiating table and pay decent fees for using protected content.

Collaboration with our Danish and Finnish sister companies, KODA and TEOSTO, through the company Polaris Nordic, continued once again in 2018. We work in the same systems, and are a joint customer for certain external suppliers of services and systems. Throughout 2018, we continued our efforts to establish the Polaris Music Hub, a common, multi-territorial licensing unit for streaming services and other online players in an international market. Once the service is fully operational, we will achieve bigger and better market coverage, greater transparency, cost reductions, better process efficiency and more rapid payments to our members for music used in other territories.

Speaking of international revenues, TONO's 2018 accounts indicate that our members have never had more total income from abroad, with a total of MNOK 79.3. By comparison, the figure was MNOK 30.2 in 2013. It is also worth noting that more than a few artists are receiving payments. No fewer than 12 484 TONO members received fees from abroad in 2018. We hope and trust that that sales of Norwegian music abroad will continue to grow in the years ahead.

Sincerely, Cato Strøm, Chief Executive Officer



Cato Strøm, Chief Executive Officer

DIRECTORS' REPORT 2018

Current status and future development

TONO is a cooperative that manages performance rights and mechanical rights to music. In addition to individual management contracts with approximately 32 500 rightsholders, TONO has reciprocal representation agreements with 74 foreign sister organisations. Thus, TONO manages a global repertoire of copyright-protected music on Norwegian territory. TONO has transferred the management of its rightsholders' audio recording rights to the Nordic Copyright Bureau (NCB) in Copenhagen, which is owned by the Nordic collective rights management organisations KODA (Denmark), STIM (Sweden), STEF (Iceland), TEOSTO (Finland) and TONO (Norway).

TONO is headquartered in Oslo at Tøyenbekken 21, 0134 Oslo.

In 2018, there were nine Board meetings and four Board Committee meetings.

Rights management contracts

At 31 December 2018, TONO had rights management contracts with 32 590 rightsholders. In 2018, 1 642 new rightsholders joined, 11 of which were music publishers.

By comparison, on 31 December 2018, there were 30 948 rightsholders. In 2017, 1 645 new rightsholders joined, 10 of which were music publishers. The gender breakdown among the members is 20 per cent female and 80 per cent male. Music publishers account for 1 per cent of the membership.

Unit holders

At 31 December 2018, there were 1 620 registered unit holders in TONO.

At 31 December 2017, there were 1 566 registered unit holders in TONO.

98.7 per cent of the unit holders are creators, 15.8 per cent of whom are women. 1.3 per cent of the unit holders are music publishers.

Financial matters

In 2018, TONO had a turnover of NOK 707 303 250. This is an increase of 7 per cent compared with 2017. After a deduction of 2 per cent for the Norwegian Composers' Fund, losses and administrative expenses, the result for distribution came to NOK 616 346 005, up 9.1 per cent compared with 2017. Costs were equivalent to 11.31 per cent of the funds for distribution.

TONO's accounts have been prepared in accordance with the requirements set out in the Norwegian Accounting Act of 1998 and are in compliance with the requirements laid down in current legislation, regulations and generally accepted Norwegian accounting practices. The Norwegian Accounting Act of 1998 entailed major changes in the recognition of pension costs in 1999. As a result of this, TONO recognises negative equity. Originally, this effect was minus NOK 11 026 446. At 31 December 2018, the total effect of liabilities charged against equity was NOK 11 533 193. The year before, this obligation amounted to NOK 8 929 621.

Inasmuch as TONO's net income for distribution accounts for about 85-90 per cent of its revenues each year, as well as the fact that the net income for distribution is at all times what is left after all expenses have been deducted, it is the Board's opinion that TONO's financial results for 2018 are good, and that the organisation's financial position is strong. It is thereby a going concern, entailing no risk. There are good prospects to indicate that TONO's activities will achieve a good result in 2019.

TONO has a comprehensive portfolio under management at all times. The goal is to obtain the highest possible return with the lowest possible risk. TONO's conservative investment strategy ensures stable investment performance. The individual investments are to be among those with the lowest risk in their asset class. The risk is reduced further by having a well-diversified portfolio, and TONO patronises several financial service providers in an effort to reduce management risk.

TONO manages its ownership of the organisation's premises in the Sameiet Gallery through its wholly-owned subsidiary Harmoni AS.

Market trends

We see that the largest market areas appear to be developing well, with audiovisual distribution, online, concerts and international income being the fields that are growing the most. The tendency to compete for customers in the background music segment has grown keener as providers of non-licensed music are becoming increasingly active.

In 2018, following long negotiations, a new Norwegian Copyright Act was adopted and entered into force on 1 July 2018. A good working relationship between creators and artists led to a result with which we can be satisfied. In autumn 2018, a matter that had been the subject of disagreement between RiksTV and TONO for no less than 10 years was decided by the Supreme Court. After TONO had won in both the District Court and the Court of Appeal, the Supreme Court handed down a unanimous judgment that fell squarely in favour of TONO. In keeping with the judgment, TONO has filed a significant claim for damages

against RiksTV. The judgment is important for all groups of rightsholders in Norway as well as in other territories. The sale of phonograms is declining continuously, and NCB's turnover has dropped significantly. NCB's operations are carried out by KODA, but NCB is an independent legal entity. This has proven an expedient solution for the organisation NCB and its owners.

Income for the use of Norwegian music abroad has also demonstrated a substantial increase in 2018, as income from this area increased by 16 per cent compared with 2017, to MNOK 79.3.

No special circumstances occurred in 2018 that had any significant impact on TONO's activities.

TONO's staff

At the end of 2018, TONO had 65 permanent employees, six of whom work part-time. In 2017, there were 64 permanent employees, six of whom worked part-time. TONO's goal is full equality between female and male employees. This means we try to ensure there is no gender-based discrimination in respect of salaries, career advancement opportunities or recruitment. There are 36 women and 29 men on TONO's staff. Two men and four women are employed in part-time positions. The average age of all staff members is 46.3 years (45.2 for women and 47.6 for men).

The average gross monthly salary for all female employees at the end of 2018, managers included, was NOK 49 298. The average gross monthly salary for male employees, managers included, was NOK 60 643. The higher average wage for men is because there is a higher proportion of men in managerial positions.

Internal control, HSE (health, safety and the environment)

Thanks to the Working Environment Committee (WEC), comprised of representatives from the employees' trade unions and management, TONO's HSE work has been systematised. WEC meetings are held on a regular basis. At least two meetings each year are devoted to sickness absence.

Ingrid Kindem Chair of the Board of Directors

Stine Sørlie

Stian Westerhus

Jørgen Karlstrøm

Deputy Chair

Ine Kristine Hoem

Lina Marie Langøien Employee Director

TONO has an IA (Inclusive Working Life) agreement, a cooperation agreement between an individual company and the Norwegian Labour and Welfare Administration (NAV). The primary goal of the agreement is to accommodate everyone who can and wants to work, be it full time or part time.

In 2018, sickness absence was 5.77 per cent, compared with 5.41 per cent the year before. Sickness absence is followed up in accordance with the Inclusive Working Life agreement and the provisions of the Working Environment Act.

TONO does not engage in activities that can pollute the outdoor environment

Employer responsibility for promoting gender equality and preventing discrimination

Over time, TONO's goal is to have a similar percentage of women and men on the staff. On 31 December 2018, 55 percent of the staff were female and 45 per cent male. Women and men in comparable positions are paid equally. Six employees work in part-time positions of their own volition, partly due to family obligations at home and partly due to functional disabilities. Compassionate leaves and leaves to provide family care are equally divided between men and women, but there is more sickness absence among women than among men.

TONO devotes attention to gender equality, and the statistics show that TONO is in compliance with the provisions of the Gender Equality Act.

TONO's Articles of Association include an article stating that each gender is to have at least 40 per cent of the seats on TONO's Board of Directors.

TONO's 65 employees come from a broad range of ethnic backgrounds. We have co-workers from all the Scandinavian countries and the rest of Europe, as well as from Africa, Asia and the USA. We would therefore maintain that TONO promotes equal opportunity in keeping with the purpose of the Act.

Oslo, 25 March 2019

Philip Kruse

Kai Robøle

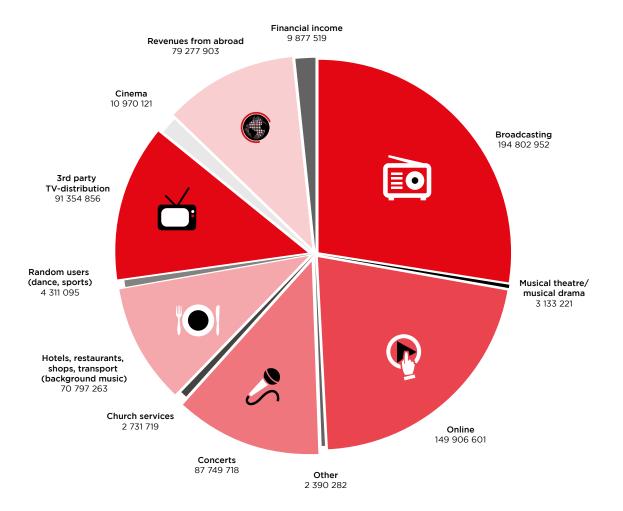
Håvard Offer-Ohlsen Employee Director

Frida Ånnevik

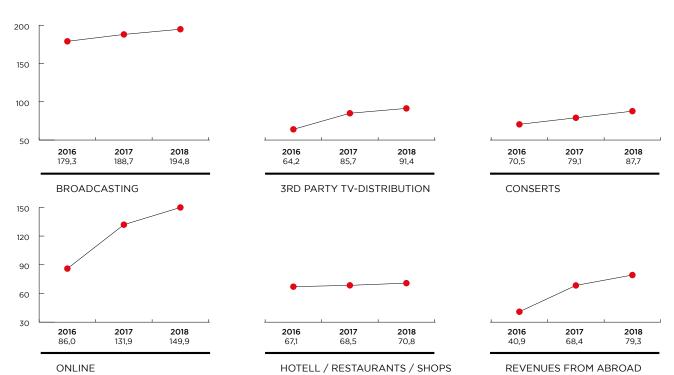
Tove Bøvgard

Cato B. Strøm Chief Executive Officer

OVERVIEW OF TONOS INCOME // 2018



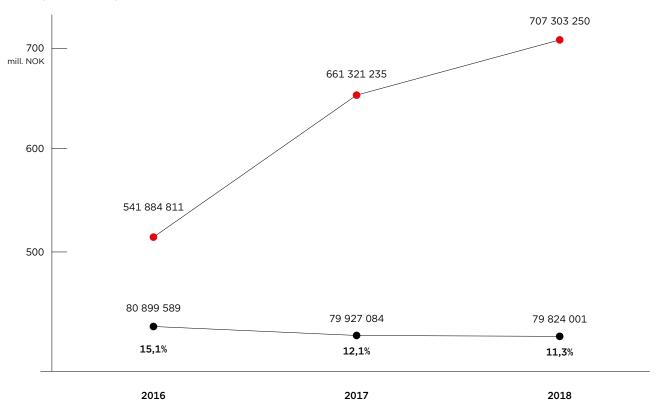
DEVELOPMENT, SOURCES OF INCOME // Numbers in mill NOK



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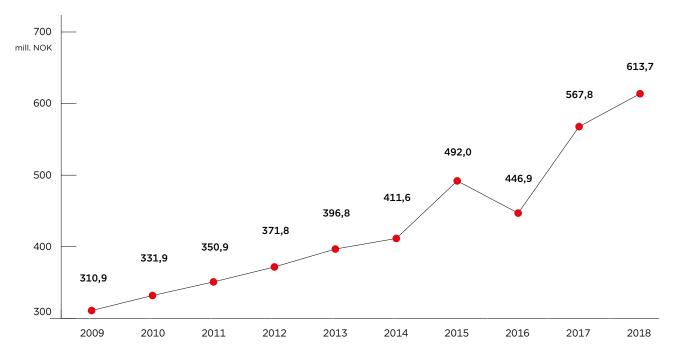
TREND IN REVENUES AND EXPENDITURES // 2016-2018

- Revenue before 2% deduction to the Norwegian Composers Fund.
- Expenditures in per cent.



DISTRIBUTION // 2009-2018

The graph below shows performance trends over the past 10 years. The result is the amount added to the funds available for distribution each year.



DISTRIBUTION, AMOUNTS DISBURSED

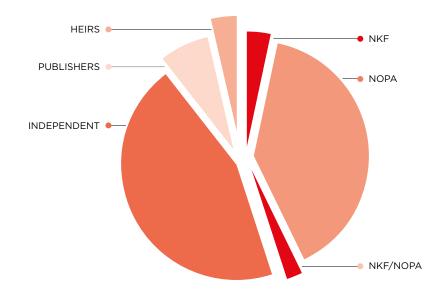
The information below shows how TONO's remunerations were distributed among various member groups in 2018.

According to the Norwegian Act on Cooperatives terminology, those who have an administration contract with TONO, and in addition have earnings that qualify to vote at the general assembly, are the members of TONO (for historic reasons, TONO in its by-laws uses the term "andelshavere", which means "shareholders"). Those with administration contract, but not earnings which qualify to vote at the general assembly, are referred to as "ordinary members". However, in day-to-day terms, all of TONO's rightsholders are referred to as "members". The term "Organised" refer to those members who are associated with the associations NOPA (The Norwegian Society of Composers and Lyricists), NKF (Norwegian Society of Composers) and Musikkforleggerne (The Norwegian Society of Music Publishers)

DISTRIBUTION, SHAREHOLDERS AND ORDINARY MEMBERS	Amount	Members	Average amount
Shareholders	150 022 405	1 726	86 919
Ordinary members	54 559 295	17 018	3 206
Total	204 581 700	18 744	10 914

DISTRIBUTION BY MEMBER CATEGORY	Amount	Members	Average amount
Organised NKF	7 077 660	221	32 026
Organised NOPA	80 725 922	1 170	68 997
Organised NKF/NOPA (double membership)	4 325 282	69	62 685
Independent	91 136 640	15 771	5 779
Publishers	14 055 333	213	65 987
Heirs	7 260 862	1 300	5 585
Total	204 581 700	18 744	10 915

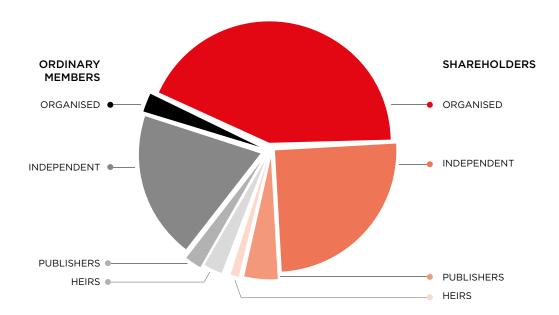
DISTRIBUTION BY MEMBER CATEGORY



DISTRIBUTION ORDINARY MEMBERS	Amount	Members	Average amount
Organised	4 587 453	562	8 163
Independent	39 835 031	14 984	2 659
Publishers	4 694 979	193	24 326
Heirs	5 441 832	1 279	4 255
Total	54 559 295	17 018	3 206

DISTRIBUTION SHAREHOLDERS	Amount	Members	Average amount
Organised	87 541 411	898	97 485
Independent	51 301 610	787	65 186
Publishers	9 360 354	20	468 018
Heirs	1 819 030	21	86 620
Total	150 022 405	1 726	86 919

DISTRIBUTION, ORDINARY MEMBERS AND SHAREHOLDERS



DISTRIBUTION TO AND FROM ABROAD

At the end of 2018, TONO had 75 reciprocal agreements with sister societies in other countries. Some of the agreements cover several countries and, collectively, they mean that TONO is represented in more than 100 countries and territories. The reciprocal agreements entail that the companies claim remuneration for public performances of each other's repertoires in their respective countries and territories, and then pay the remuneration back to the various companies to be passed on to the rightsholders as compensation for the works performed.

INTERNATIONAL DISTRIBUTION

Remuneration to foreign rightsholders from TONO added up to NOK 240 755 847 in 2018. The comparable figure for 2017 was NOK 203 836 936.

The table below shows a list of what TONO has distributed to some sister companies over the past three years. The figures do not reflect exactly how much of the individual country's repertoire is performed in Norway. For example, the payments to STIM are largely for Anglo-American repertoire because the repertoire has a 'sub-publisher' in Sweden. The table includes remuneration claimed by NORWACO, and which is largely passed on to STIM and PRS for further distribution to rightsholders.

COMPANY/COUNTRY	Distributed 2018	Distributed 2017	Distributed 2016
AKM, Austria	480 054	556 544	861 400
APRA, Australia	3 623 892	2 316 518	2 530 561
ASCAP, USA	27 082 532	20 589 460	20 151 186
BMI, USA	26 090 037	20 686 268	18 790 978
BUMA, The Netherlands	732 101	586 990	665 003
GEMA, Germany	3 913 945	4 209 001	4 182 870
JASRAC, Japan	192 609	156 573	183 495
KODA, Denmark	10 189 654	9 155 581	8 513 831
KOMCA, South Korea	30 781	15 237	2 759
OSA, Czech Republic	137 734	116 133	132 794
PRS, England	56 984 393	50 513 664	47 561 846
SABAM, Belgium	401 451	438 448	355 037
SACEM, France	7 184 662	6 466 605	6 541 253
SGAE, Spain	758 987	334 148	378 202
SIAE, Italy	734 540	699 551	633 950
SOCAN, Canada	3 385 846	2 824 594	2 337 215
STIM, Sweden	91 554 991	77 684 772	65 442 276
SUISA, Switzerland	329 570	311 701	333 619
TEOSTO, Finland	1 439 194	1 611 792	1 734 447
ZAIKS, Poland	81 963	58 010	80 255
Other	5 426 911	4 505 346	3 798 733
TOTAL	240 755 847	203 836 936	185 211 710

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In 2018, a total of NOK 79 277 903 was recognised as revenues from foreign sister companies. In 2017, comparable revenues came to NOK 68 472 166, while in 2016, the figure was NOK 40 953 824.

There has been substantial growth in revenues from abroad over the past four years. The decline from 2015 to 2016 was generally ascribable to not receiving money from GEMA in 2016, but the arrears were collected in 2017. There have been similar situations with SGAE and PRS in recent years. Such variations are normally related to regulatory requirements that affect the transfer of funds. Currency fluctuations can also have an impact on the amounts. It is important to note that settlements from abroad are also influenced by the various companies' practices, market shares, etc., and by extraneous conditions such as countries' copyright-related framework conditions and other legislation. However, more use of Norwegian music is by far the most important reason for the increase in revenues from abroad.

SELSKAP/LAND	Received 2018	Received 2017	Received 2016
AKM, Austria	1 037 888	1 151 533	627 826
APRA, Australia	971 907	945 647	1 275 438
ASCAP, USA	2 971 400	2 278 150	1 453 437
BMI, USA	3 829 042	1 216 085	541 883
BUMA, The Netherlands	2 575 241	2 671 296	1 605 568
GEMA, Germany	12 404 140	15 891 796	0
JASRAC, Japan	1 267 163	1 260 092	1 779 080
KODA, Denmark	11 061 595	10 240 717	9 043 858
KOMCA, South Korea	398 023	251 635	208 190
OSA, Czech Republic	223 910	75 155	103 063
PRS, England	9 763 972	0	1 347 519
SABAM, Belgium	1 055 855	855 403	842 909
SACEM, France	3 605 090	4 791 583	2 473 523
SGAE, Spain	4 077 393	662 786	0
SIAE, Italy	2 216 256	2 269 326	780 270
SOCAN, Canada	730 196	717 722	431 202
STIM, Sweden	12 476 616	15 175 039	12 938 425
SUISA, Switzerland	1 739 038	1 724 431	1 295 536
TEOSTO, Finland	3 433 299	3 032 416	2 280 408
ZAIKS, Poland	545 246	451 467	224 823
Other	2 894 633	2 809 887	1 700 866
TOTAL	79 277 903	68 472 166	40 953 824

Vil du vite mer om TONO?

Kontakt oss på telefon 22 05 72 00, tono@tono.no eller se vår nettside **tono.no**

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