

## ANNUAL REPORT 2018





01	
U	
	<b>&gt;</b>

<b>&gt;&gt;</b>	– Significant Events 2018	
THE YEAR IN BRIEF	<ul> <li>Demand Grows for Comprehensive Licenses</li> </ul>	

02

ON BEHALF OF THE CREATORS OF CULTURE

Collective Rights Management Leads to Comprehensive Licences

7

29

29

30

30

03

Licenses for Retransmission of Tv & Radio
 Right to Make Private Copies Important
 Distribution of Revenues to Cultural Innovators

04

<b>&gt;&gt;</b>	<ul> <li>Administration Report</li> </ul>	16
ANNUAL REPORT	<ul> <li>Income Statement</li> </ul>	19
	<ul> <li>Balance Sheet</li> </ul>	20
	<ul> <li>Report on Changes in Equity</li> </ul>	21
	<ul> <li>Cash Flow Statement</li> </ul>	22
	- Notes	23
	<ul> <li>Auditor's Report</li> </ul>	27

05

Organisation
 Further Information
 Copyswede's Member Organisations

Copyswede's Collaborative Partners

## Copyswede works to fund the creation of new culture

Copyswede are experts in the collective administration of copyright within the TV sector. We licence the retransmission of TV and radio programmes via various media and manage the Swedish levy system for private copying. We work on behalf of our member organisations to ensure that creators of culture are remunerated for their copyright. If the consumption of culture is to be sustainable, creative people must receive reasonable remuneration. A strong copyright leads to secure and unshackled performers. In Sweden in particular and the EU in general, there is strong political, legal and popular support for copyright and its effective and collective management. We have been entrusted with managing aspects of this task. Copyswede is subject to supervision by the Swedish Patent and Registration Office (PRV), a government agency.



## Five key principles for an effective private copying levy system

The parliamentary committee on industry and trade's recommendation to the government to instigate an overhaul of the Swedish levy system for private copying was voted through in spring 2018 by a unanimous parliament.

During the forthcoming investigations, it will be vital to safeguard and maintain Swedish cultural life and cultural innovators and their right to reasonable remuneration. With regard to this, Copyswede's members agreed the following five general principles which a future levy system for private copying must adhere to:

- reasonable remuneration for the right to make private copies,
- low administration costs to ensure that the money goes to cultural innovators,
- simple, clear and fast for both the electronics industry and cultural innovators,
- technology-neutral, modern and transparent,
- compliant with the rule of law and compatible with EU law.

## Demoskop survey – One in two Swedes make private copies

In June 2018, a Demoskop survey was carried out of the media habits of the Swedish population. The survey provided a general picture of private copying and downloading behaviour on phones, tablets and computers – devices confirmed as being covered by the private copying levy system.

The survey showed that around half of Swedes make private copies by downloading songs and podcasts in order to listen to them offline, four in ten make private copies of texts, and six in ten download images. The results also indicate that

one in three people saves images of artworks for future use. Three in ten save films or TV series on their phone, computer or tablet in order to watch them offline.

It is most common for individuals aged between 18 and 39 to download and make private copies. Men and women exhibit similar private copying behaviour. It is much more common amongst younger people to save songs, texts and audio files. Articles, e-books and lyrics are saved about as often at all ages. Films and TV series tend to be copied by more men than women.

The survey shows that private copying is carried out alongside consumption through streaming. Compared with previous surveys, it is apparent that although private copying is continuing, private copying behaviour is changing over time.

## Judgement by Södertörn District Court – private copying levy for smartphones

At the end of last year, Södertörn District Court announced its judgement in the case between Copyswede and Telia concerning the private copying levy for Iphones which Telia imported during the period 2009–2016. The district court ruled in favour of Copyswede's view of a levy of SEK 3 per gigabyte. The judgement means another step has been taken to ensure that companies report and pay remuneration to cultural innovators.

The judgement has been appealed to the Patent and Market Court of Appeal.

#### Claim for reporting of the private copying levy

Intensive efforts began during the year to submit a claim for the reporting of imported mobile phones, computers and tablets to enterprises in the electronics industry which have not been reporting such information for many years for various reasons.

## DEMAND GROWS FOR COMPREHENSIVE LICENCES

2018 was another successful year for Copyswede. There is steadily increasing demand to establish agreements concerning the TV channels and the range of audio-visual services and products that Copyswede offers the Swedish market. In a rapidly developing TV distribution landscape, Copyswede's role is to offer users comprehensive licences, whilst at the same time ensuring, in an efficient and transparent way, that revenues reach all the authors, performers and producers who have contributed to the creation of the TV programmes and films concerned.

We can also see rising demand for audio-visual material within various sectors, including education and tourism. Organisations in these sectors are often interested in obtaining all their rights from a single source, which increases expectations of coordinated rights where Copyswede is able to offer comprehensive licences.

There has always been strong interest in retransmitting Swedish TV channels in neighbouring Nordic countries. There is also demand to include Swedish TV series and other TV programmes in Nordic and European TV channels. Through agreements with copyright organisations in the Nordic region and elsewhere in Europe, Copyswede ensures that levies for such use are collected and distributed to Swedish right holders. Efforts to establish further representation agreements with more countries are ongoing, and it is pleasing to note that this work resulted in revenues from abroad increasing during 2018.

The issue of private copying, i.e. the right to download music, podcasts or TV series to your mobile phone, computer or TV box, was once again in focus for Copyswede and cultural innovators in 2018. After a series of court judgements, it has been established that mobile phones, computers and tablets, etc. are covered by the Swedish levy scheme for private copying and that companies in the electronics industry must pay a levy to Copyswede, which represents the cultural innovators in this context.

Despite the very clear judgements by the courts, cultural innovators are still being forced to wait for the levies which electronics companies owe right holders. Many major electronics and IT companies have opted not to comply with the judgements, with the result that Copyswede has been forced to allocate considerable resources to get companies to report the information which they are obliged by law to submit. As regards mobile phones, the right holders' claims extend back to 2009, while as regards computers and tablets, the claims for remuneration date as far back as September 2013.

Alongside these activities, negotiations are under way with Elektronikbranschen, the industry organisation that represents many of the companies that owe large sums of money to cultural innovators. Copyswede and cultural innovators are always ready to pursue constructive and solution-oriented negotiations with the industry, but an ever-present obstructive attitude amongst many companies means that, despite the support of the courts, there is a risk that cultural innovators will be forced to wait a while longer for the remuneration to which they are entitled.

During 2018, the Swedish Parliament decided that the rules concerning the private copying levy should be reviewed. It is a welcome development to see that a new model is being introduced which will mean that all groups of right holders whose works and performances can be copied privately will be covered by the levy scheme. Any new scheme must be technology-neutral, modern and transparent. The system also needs to be simple and clear for both the electronics industry and cultural innovators, so that reasonable remuneration for private copying can be paid without incurring high administration costs.

During 2018, extensive efforts were made within the EU to adapt and modernise many copyright rules, partly in order to facilitate licensing. During the year, Copyswede actively participated in the work to modernise copyright law so that cultural innovators in every area can share in the value that is generated when their works and performances are used. This is essential in order to safeguard the sustainable consumption of culture and the continuing provision of high-quality content.

Mattias Åkerlind, CEO





# COLLECTIVE RIGHTS MANAGEMENT LEADS TO COMPREHENSIVE LICENCES

Copyright ultimately centres around the idea that a person who has created or interpreted a work holds the exclusive rights to it, i.e. an exclusive right to allow or prohibit others to use the work. The right holder may then decide to enter into an agreement concerning various types of use. As regards works such as films and TV programmes where many authors and performers and perhaps one or more producers have worked together, there are special requirements concerning agreements in order for the works to form part of a collective range on new platforms and in services that could not have been foreseen at the time they were created.

Reusing TV programmes and TV channels for various forms of mass use is beneficial for both the public and society in general, and is also something that viewers have now come to expect. In connection with this, Copyswede can offer licensing solutions that ensure that right holders receive a reasonable levy and at the same time retain control over their works.

The way in which the copyright system is designed enables right holders to monitor the financial development of their works over time and to earn money when they are in demand and consumed through various services.

#### Coordinated Rights Management Strengthens the Artist Collective and Facilitates the Establishment of Agreements

Individual authors often have a weak negotiating position in relation to large media companies. Coupled with the fact that many productions and services collate rights from a large number of participating right holders, there are many good reasons for individual authors and performing artists to work together with each other. It has therefore been common practice for some time for copyright holders to join together in organisations with the task of coordinating rights management. Such collective rights management also gives artists the opportunity to manage their rights as regards complex composite works or when a very large number of works is used

collectively. By choosing to manage their rights in a coordinated and collective manner, artist collectives are in a stronger negotiating position with respect to large media and distribution companies that have an influence on the artists' contractual market.

Collective rights management also plays a crucial role in giving all companies providing services with artistic content the potential to effectively acquire the requisite permits. Offering a large number of rights in a coordinated manner also makes it possible to create and provide services that would otherwise not have been possible.

Organisations for collective rights management are of crucial importance for the continued development of markets for artistically created content. These organisations are also important for the functioning of traditional media markets, e.g. TV, film and music, in addition to mass use by educational and cultural institutions. Against this background, the work to transpose an EU directive concerning the functionality and management of copyright management organisations in Swedish law began in early 2014. The purpose of this is to ensure the efficiency and reliability of such organiations throughout the EU/EEA area. It is important that a copyright management organisation can live up to the requirements and expectations of the market. This applies to both the needs of artists for effective and open managers of their rights and users' requirements for a reliable and effective system for obtai-



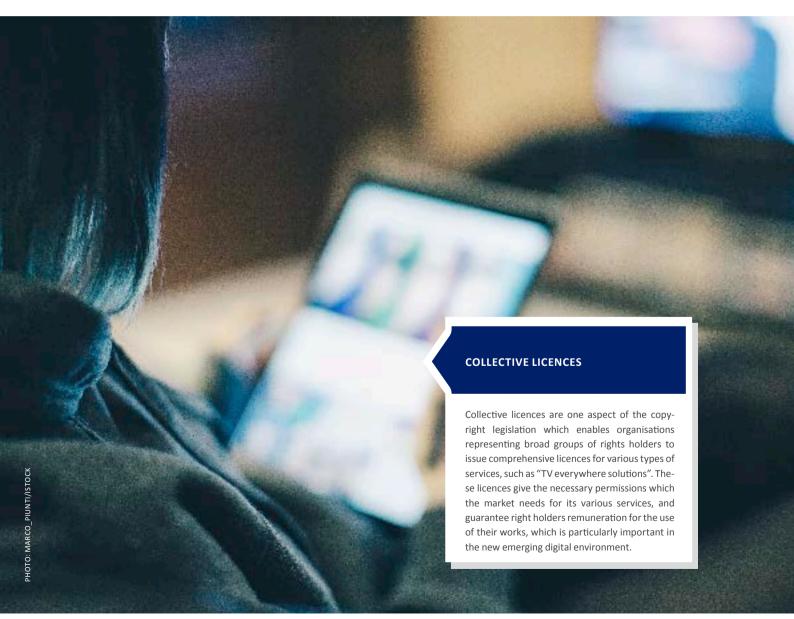
ning permits. The Riksdag decided in 2016 about the implementation of the EU Directive, for gradual entry into force starting in January 2017.

Copyswede has been created by artist organisations in Sweden to act as such an organisation for collective management in complicated licensing situations in the area of rights licensing for radio, TV and film, and for the management of the private copying levy. In addition to this assignment given by the fourteen owner organisations, Copyswede also cooperates with the record industry through the International Federation of the Phonographic Industry, Swedish Group (IFPI), and with film and TV producers through the Swedish Film Producers' Association (FRF). In addition, Copyswede cooperates with around 100 programme companies whose programme services are licensed by Copyswede through the Union of Broadcasting Organisations in Sweden (UBOS).

#### **Extended Collective Licences Follow Developments**

The benefits of collective rights management have long been understood in the Nordic countries, and these countries have had well-developed systems using collective licences as a basis since the 1960s.

The 1 November 2013, a new collective licence provision was introduced into the Swedish Copyright Act concerning a general collective licence. The aim is to identify the needs that exist within the market in a faster and more flexible way to enable agreements to be offered with the support of the extended collective licence provision. The first agreements were signed back in late 2013 and enabled programmes to be restarted while they were actually being broadcast. Since then Copyswede has continued to offer licences under the new provision, including catch-up services in connection with retransmission.





## LICENSES FOR RETRANS-MISSION OF TV & RADIO

#### THE WORLD'S TV

Copyswede's channel repertoire covers many channels from the Nordic region, Europe and the rest of the world.

» Read more at copyswede.se

Copyswede is continuing to issue licences for the simple retransmission of TV and radio programmes on various technical platforms, encompassing everything from basic centralised antenna installations to large-scale IP TV systems. The repertoire covers channels from Sweden, the rest of the Nordic region, Europe and the rest of the world.

Copyswede has been offering licences for time-shift playback of SVT's programmes for a number of years. Since 2014, Copyswede issued licences for TV Everywhere services, where audiences can access their TV services anywhere and anytime and using any receiving device.

One of the operators requested mediation concerning the conditions for retransmission of SVT/UR channels over the internet was initiated already in 2014, but continues during 2018.

Copyswede's channel repertoire is currently divided into three main areas: channels from SVT/UR/SR, channels from TV4 and foreign channels.

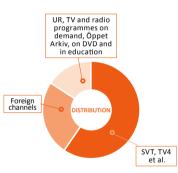
Copyswede also offers licences which enable hotels and other establishments to retransmit TV and radio to their customers. Retransmission also includes Copyswede's licensing of the TVFinland channel in the Swedish terrestrial network in the Mälardal area.

SVT is also seeking other permits to enable them to distribute their programmes in ways not involving broadcasting. Under the specific extended collective licence for the programme company's archive, Copyswede has issued a licence which facilitates SVT's Öppet Arkiv ('Open archive') archive service, which is available via SVT's website.

Copyswede also plays a role as regards licences for the commercial publishing of individual programmes from SVT, UR or SR in the form of DVDs, CDs or video on-demand (VOD).

As regards use within education, Copyswede offers various types of licence. Copyswede has a school recording agreement, which makes available content from SVT, SR and TV4 for use in teaching, as well as a number of agreements with UR concerning conditions for the use of programmes from UR by schools. Copyswede also issues licences for less comprehensive, but still important, uses within care of the elderly and the merchant navy.

The rapid pace of technological development and demand means that the extended collective licence is continually being reviewed, supplemented and renegotiated.



#### **SUMMARY**

	SVT, TV4 et al., SEK	Foreign Channels, SEK	UR, TV and Radio Programmes on-demand, Öppet Arkiv, on DVD and in Education, SEK
Revenues	92,177,238	37,374,220	10,312,978
Staff costs	2,685,008	1,842,018	313,433
Other costs	6,496,619	1,076,594	326,792
For distribution	82,995,611	34,455,608	9,672,753
Cost before individual distribution	9.96%	7.81 %	6.21 %

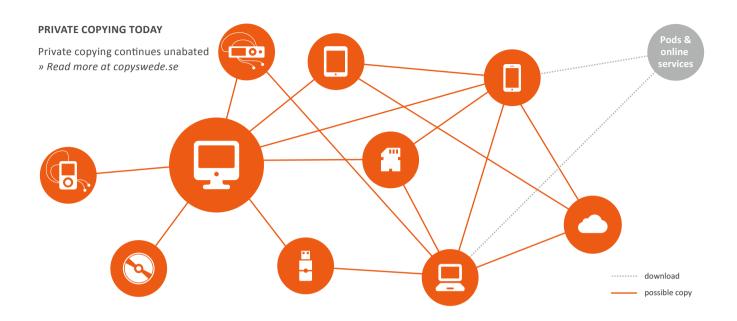


## RIGHT TO MAKE PRIVATE COPIES IMPORTANT

Consuming music, film and TV is something that many of us take for granted and do extensively. Rapidly expanding infrastructure is enabling service providers to build readily accessible media services. This would not be particularly useful if the services could not be filled with content which consumers are prepared to pay for. It is therefore a fundamental precondition that there are creators who create works and performances which form the content of these services and that they receive payment for their creations.

Copyright is based on the exclusive right that all authors have relating to their literary and artistic performances. A person who creates a work determines how it should be exploited and anyone wishing to use the work must therefore obtain the permission of the author to do so. In order to balance the interests of authors against those of the public, there are a number of restrictions on the exclusive right, which mean that in certain situations works may be used without the permission of the author. One such restriction is the right to copy content for private use.

The right to make such private copies is important for individual consumers and in many cases is also a precondition for many of the service models that have been developed in the digital environment. The number of devices and products, along with their ever-increasing storage capacity, has led to the level of private copying remaining high. Consumers can download songs, films, audio-books, TV series and podcasts to computers, mobile phones and tablets to listen to or watch later or to save surfing. All this constitutes private copying which is carried out under the restriction in the Copyright Act's exclusive right.



## Further Positive Legal Developments in Sweden and the EU

Over the years, Copyswede has made many settlements with various industry representatives and regulated the remuneration payable for products used for copying in agreements. In recent years, some stakeholders within the industry have questioned the suitability of the remuneration for certain product types, e.g. mobile phones, external hard drives and computers. As a result of this, a number of legal proceedings have been initiated with the aim of clarifying how the provisions concerning the private copying levy in the Swedish Copyright Act should be interpreted.

At the end of 2017, the Supreme Court announced a ruling which provides a number of fundamentally important clarifications concerning how the levy scheme for private copying should be understood. These clarifications particularly concern what is required in order for levies to be reduced, when such grounds need to be presented and whose responsibility it is to present them. The Supreme Court took account of the fact that a product is multifunctional and that those who pay the levies must be entitled to reductions based on how the products are used.

Two rulings were also announced in 2016 which clarify how the law should be interpreted. In June, the Supreme Court ruled that Iphones, i.e. mobile phones which can also be used for private copying, should be covered by the levy system for private

copying. In December, the Patent and Market Court of Appeal at Svea Court of Appeal ruled that the private copying levy should be payable in respect of products that can be used for private copying, which includes computers and tablets.

All verdicts are based on the pivotal EU regulation and the case law that the European Court of Justice has created in recent years. The levy is based on an EU Directive, the so-called Infosoc Directive (Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society), and means that rights holders must be compensated for the ability of citizens to make private copies.

Importers of external hard drives and USB memory sticks have paid the private copying levy to Copyswede since the end of 2011.

#### **SUMMARY**

	Private Copying Levy, SEK
Revenues	45,774,230
Staff costs	2,971,317
Other costs	11,702,103
For distribution	31,100,810
Cast bafana in dividual	
Cost before individual	
distribution	32.06%



## DISTRIBUTION OF REVENUES TO CULTURAL INNOVATORS

Copyswede's task is to collect and distribute revenues between right holder groups active within the field of TV and radio. The revenues could for example concern the retransmission of TV and radio programmes via cable TV networks, time-shift playback of SVT programmes, DVD publishing and various on-demand services. Right holders also receive their share of the private copying levy that is collected. In some cases, Copyswede also distributes payments individually on behalf of a number of member organisations.

#### Distribution of the Revenues

Copyswede distributes revenues for a number of licensing areas. Right holders involved in the licensing sometimes differ in nature; hence different distribution agreements and regulations are applied to the respective licensing areas. Regardless of the licensing area, representatives of producers and broadcasting companies receive their share of the revenues and have their own distribution rules concerning redistribution of the revenue to right holders both within and outside Sweden.

One of the key principles for all distribution, whether it be within Copyswede, via Copyswede's member organisations or by collaborative partners, is that all right holders who are entitled to compensation, both within the EU and in some cases also outside this area, must be treated equally. Another very important criterion is that the distribution must also be clear, transparent and easy to understand – a responsibility which today is underlined by various EU directives.

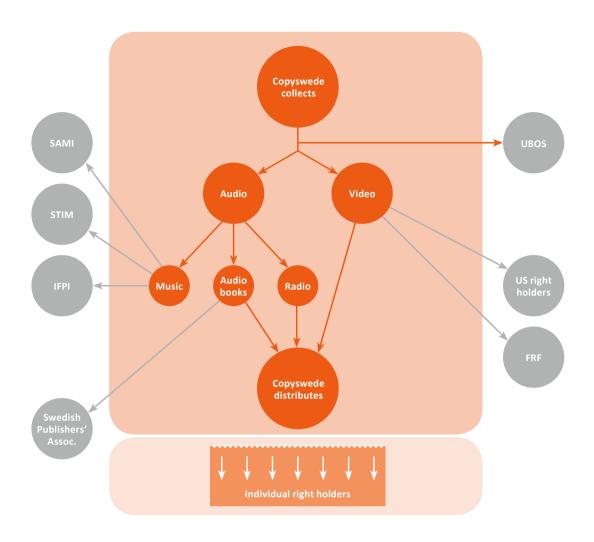
Partly because of the new Law about Collective Rights Management (LKFU), Copyswede is continuing to invest considerable resources in improving and simplifying the entire distribution process between the various right holder groups, including our collaboration partners. Alongside this, work has been under way to clarify how aspects of our individual distribution process can be simplified and made more transparent for both Swedish and in-

ternational right holders. This work is being carried out in collaboration with the member organisations. Similar work is under way in the rest of the Nordic region.

#### **Revenues for Retransmission of TV Channels**

Copyswede collects revenues for the retransmission of many TV channels via the Swedish cable TV networks, particularly the Nordic and European public service channels. In the neighbouring Nordic countries, Copyswede's sister organisations collect revenues for retransmission of the Swedish TV channels from the domestic cable TV operators and, in Sweden, Copyswede collects revenues from the Swedish cable operators for the retransmission of the Nordic TV channels via the Swedish networks. Through reciprocal agreements, revenues are exchanged between the Nordic countries, which then distribute the revenues individually amongst the right holders in the home countries of the respective channels. Copyswede also collects revenues for broadcasting of the Swedish channels via the Swedish cable networks and individually distributes its share of the revenues. The share of the revenue that is collected is then distributed, on behalf of the member organisations that so wish, based on principles that are approved annually by the member organisations concerned.

Commercial interest in broadcasting the Swedish channels is largely limited to the Nordic region. However, many European countries are interested



#### Want to know more?

Read more in the brochure *Copyswede Distribution*.

» Download at copyswede.se

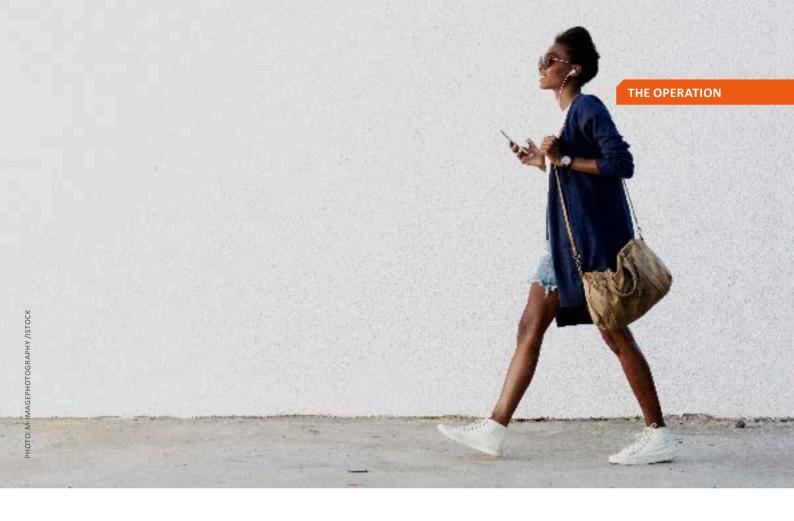
in receiving certain Swedish TV programmes. We correspondingly find many European programmes being broadcast via the Swedish channels and, through agreements between the various European right holder organisations and Copyswede, revenues are also exchanged and distributed to right holders in this area. Germany, France, Switzerland and Spain account for the highest share of these revenues. From Sweden, the largest revenues for individual programmes go to the UK and France. In this way, Swedish right holders also receive revenues which are collected for their contribution to productions that are broadcast abroad.

Copying Behaviour Governs the Distribution of PCL Digital advances are presenting private individuals with a wide variety of ways in which to consume and receive the fantastic range of music and films that are available on the market today. Copyswede is required by law to collect and distribute the private copying levy. The levy must be distributed so as to match the copying that has taken place as closely as possible. In the distribution process, right holders lacking representation are entitled to equal treatment.

Yet how can we know which works have been copied? It is of course not possible to know exactly which works have been used, but the revenue is distributed to individual right holders based on annual surveys concerning the types of programmes and the channels from which the programmes have been saved/copied. Ongoing work is under way to simplify and clarify the distribution of the private copying levy.

Many groups of right holders share the private copying levy. TV companies receive a share which is distributed through UBOS. The revenue that concerns music is split off and distributed by Copyswede's member organisations, STIM and SAMI, as well as the collaborative partner, IFPI. FRF receives revenues in its capacity of producer representative, and distributes the revenue that belongs to US right holders. Copyswede distributes other revenues individually between the participants in the various programmes on behalf of the member organisations that so wish.

The programmes that are copied most according to the surveys are also those that are allocated the highest share of the revenue, more particularly drama



and entertainment programmes that are broadcast on SVT1 and 2, TV4, Kanal 5 and TV3. In addition to the revenue for the copying of TV programmes and music, revenue for the copying of audio-books and radio programmes is also split off.

#### **Individual SVT Programmes Generate Revenues**

Since the mid-1980s, Copyswede has distributed individual revenues, on behalf of the member organisations that so wish, for the publishing of TV programmes on DVD (previously video) which have been produced by or for SVT. Agreements have also been established for video on-demand (VOD), but these only generated small amounts of revenue for the right holders. The revenues are paid to Copyswede by the distributors, who also submit reports on sales and renting out of the various titles. The information is used as a basis for the individual distribution between the right holders. In total, the area today covers one hundred titles.

Individual payments are made either on behalf of certain members via Copyswede or alternatively directly via a member organisation to the authors or performers who were involved in the programme.

E.g. cinematographers, directors, writers, screenwriters and actors. Revenues concerning recorded music are transferred in the form of lump-sums to SAMI, STIM and IFPI for redistribution and payment to the relevant right holders.

#### Programmes from UR.se

Since spring 2012, UR has been able, under an agreement with Copyswede, to make freely available much of its inhouse-produced TV and radio production on UR's own website. Through this agreement, e.g. documentaries, which were previously only available through password-protected networks and via UR Play for six months after broadcasting, can be received at anytime and everywhere.

#### **SUMMARY**

	Distributed 2018, SEK
Private copying	56,867,307
Retransmission	161,656,209
Dvd/video etc.	5,358,226
Total	223,881,742

## **ADMINISTRATION REPORT**

#### **Description of operations**

Copyswede is a cooperative economic association owned by fourteen member organisations and representing Swedish authors and performing artists. Copyswede's remit is to coordinate negotiations and agreements in certain areas of copyright, primarily retransmission of TV and radio. Through licensing assignments from member organisations and from TV companies and film and phonogram producer organisations with which Copyswede has partnership agreements, Copyswede is able to offer comprehensive agreements concerning the use of copyrighted works and performances.

Copyswede licenses around hundred TV and radio channels for retransmission and on demand use via cable TV and IPTV networks. The majority of the channels are public service channels from the Nordic countries and elsewhere in Europe.

The Copyright Act contains a provision which enables a type of extended collective agreement to extend the scope of the agreements established between Copyswede and operators concerning the retransmission of TV channels to cover not only right holders not directly represented by Copyswede, but also Swedish and foreign right holders who are not represented in this way. For the agreements to acquire this extended coverage, Copyswede must represent the majority of right holders in the sector concerned. The provisions concerning extended collective licences are also covered by certain protective regulations aimed at ensuring that right holders lacking representation and right holders covered by direct representation are treated equally.

Copyswede's agreements established under the extended collective licence provision concerning the retransmission of TV and radio channels are technology-neutral, creating opportunities for operators to establish agreements when new means of distribution are developed. Extended collective licences can be used by any operator wishing to retransmit TV channels, which means that Copyswede can also issue licences for retransmission in hotels and other similar establishments, as well as for internal use by companies, public authorities and organisations. As regards some of the licensed channels, the licences that Copyswede issues can also include provision to utilise some of the programme content on demand in conjunction with the retransmission.

Copyswede also administers the Swedish system for the private copying levy, which compensates authors and partners for the loss of income caused by private copying as regulated in Swedish legislation and the associated EU Directive. Similar systems exist in most countries within the EU. For Member States to permit private copying without the permission of the right holders, a system serving to compensate the right holders is required. In Sweden, it is the importers and manufacturers that are obliged by law to pay the private copying levy for their imports of products designed for private copying.

Copyswede's remit also includes the distribution of copyright revenues collected for various uses between different categories of right holders. On behalf of a number of member organisations, Copyswede also manages the individual distribution of revenues to certain categories of right holders.

#### Significant events during the year

Copyswede has developed and established a new tariff model for the retransmission of TV channels via the open internet (OTT). The model is expected to be launched during 2019. Current agreements with operators enable the OTT retransmission of SVT's channels, a number of TV4's channels and many of the foreign channels that are licensed by Copyswede. The aim of this work is to also offer licences for more channels, particularly channels from NENT and Discovery. Copyswede's licences for OTT retransmission currently includes provision to restart a programme while it is being broadcast, as well as a seven-day catch-up service provided by the operators in conjunction with retransmission of the programmes. Revenues from OTT retransmission on the Swedish market are at a somewhat higher level than in 2017.

Although most major operators on the market have an agreement concerning OTT retransmission and associated catch-up services, there is also disagreement between Copyswede and several of the market-leading operators regarding the conditions that should apply to the services, particularly as regards SVT's channels. Throughout 2018, mediation which began back in 2014 continued between Copyswede and several of the biggest operators on the market. During the ongoing mediation, which concerns the OTT retransmission of SVT's channels, the operators have been submitting reports and making payments in accordance with established agreements. The issue of the conditions applicable to catch-up services in conjunction with OTT retransmission is also being discussed within the framework of the mediation.

As regards the private copying levy, the revenues collected for 2018 are somewhat lower than those collected for 2017. Revenues amounted to SEK 46 million, compared with SEK 50 million in 2017. The step change in technology which has taken place in recent years has meant that copying for private use now largely takes place on set-top boxes, external hard drives, USB memory sticks, mobile phones, tablets and computers. The drop in revenue can be explained by the failure of a number of operators to pay the levy for mobile phones, tablets and computers, pending the outcome of the current legal proceedings.

Through judgements from the Supreme Court and the Patent and Market Court of Appeal at Svea Court of Appeal, it has finally been established that mobile phones, computers and tablets are covered by the levy scheme. It has also been established that the levy is payable from the date of import of the products concerned. Copyswede has been submitting claims for the levy on mobile telephones since 1 January 2009 and as regards computers, tablets, internal hard drives and games consoles since 1 September 2013.

In December 2017, the Supreme Court announced a judgement in a case between Copyswede and Sony Mobile concerning one of the company's Walkman mobiles (W715) with a built-in media player. The judgement means that the levy must be reduced to SEK 3/GB for multifunctional devices. The Supreme Court also ruled that in order for a further reduction to become a possibility, the importer of the devices must demonstrate that there is a basis for such a reduction.

The case that is still ongoing is that between Telia and Copyswede regarding Telia's imports of Iphones. At the end of 2018, Södertörn District Court announced a judgement in the case regarding imports of Iphones during the period 2009–2016. The judgement clarified the question of whether Telia was entitled to a further reduction in the levy of SEK 3/GB

which Copyswede claimed the company was required to pay. The court did not consider that Telia had managed to demonstrate that a further reduction was justified. Telia has appealed the judgement to the Patent and Market Court of Appeal.

Despite clear judgements by the Supreme Court and the Patent and Market Court of Appeal, many companies in the market have failed to declare the proportion of their imports of computers, tablets and mobile phone which concerns the historical claims concerning the levy. During 2018, Copyswede allocated substantial resources to obtaining this information from the companies. By the end of 2018, virtually all companies had submitted reports on their imports, but a number of companies are still citing various reasons why a proportion of their imports should be exempt from the levy.

Alongside the ongoing legal proceedings relating to the private copying levy, negotiations are under way between Copyswede on the one hand and the industry organisation and a large number of importers on the other. The aim of these negotiations is to reach a future-proof industry agreement which provides stability for both the right holders that Copyswede represents and the home electronics companies. Within the framework of these negotiations, the issue of historical debt has also been discussed. No agreement could be reached during 2018, but the negotiations are continuing during 2019.

In a judgement dating from January 2017, the European Court of Justice ruled that the handling of the private copying levy should not be seen as a service from a value added tax perspective, hence value added tax should no longer be added to levies invoiced after April 2017. Copyswede is currently in dialogue with the Swedish Tax Agency concerning the consequences that the judgement will have for Copyswede's right to deduct costs for input value added tax.

The Act on collective rights management of copyright entered into force on 1 January 2017. This act consists of two separate parts, with one containing provisions which are aimed at harmonising and improving the functionality of the European copyright organisations, particularly with regard to forms of governance and transparency. The other part is intended to encourage and simplify cross-border licensing of rights to musical works. The work to gradually adapt the operation to the new law continued during 2018 and will also continue in 2019. New articles of association and general principles for distribution and deductions from rights revenues were adopted by the 2017 general meeting. The first transparency report was prepared for 2017 and will also be developed further on the basis of views submitted by the supervisory authority, the Patent and Registration Office. Copyswede has an ongoing dialogue with the Patent and Registration Officer in order to inform them of the changes that are being made within the organisation.

The law stipulates that revenues which are collected must be distributed by certain deadlines. During 2017, Copyswede signed an agreement with a new IT partner which will be responsible for managing and developing Copyswede's IT system for individual distribution in order to meet these requirements. The aim was to carry out individual distribution for revenues concerning both 2016 and 2017 during 2018. This goal was not achieved, as the analysis of the distribution of collected revenues handled by Copyswede was not completed during 2018. The work is aimed at creating a simplified, transparent

and automated distribution process in order to distribute a higher proportion of revenues in a shorter period of time.

Efforts are being made within the EU to develop new European regulations within the area of copyright. Issues concerning cross-border licensing, the right of authors and performing artists to receive remuneration, and additional proposals concerning collective licensing models are covered by the legal documents discussed during 2017 and 2018 between the European Commission, the European Council of Ministers and the European Parliament. During the year, Copyswede played an active role in submitting responses to various consultation papers and other consultations from the Swedish government and the European Commission and also participated in various working groups. This work will continue during 2019.

During 2018, Copyswede adapted its organisation to take account of the EU's General Data Protection Regulation (GDPR), which entered into force on 25 May 2018.

#### **General** meeting

Copyswede's ordinary general meeting was held on 30 May 2018 at Copyswede's offices in Stockholm.

#### **Board meetings**

During 2018, the board met on ten occasions.

#### Significant events after the end of the financial year

After Copyswede imposed requirements during 2018 regarding the reporting of sales of mobile phones which have taken place since 1 January 2009 and of sales of computers, tablets, internal hard drives and games consoles which have taken place since 1 September 2013, a large number of reports have been received. However, several of the importers have claimed that some of the imported products should be exempt from the levy because they have been exported or sold to professional users or registered retailers. They have not presented any information in support of their claims. Dialogues concerning reports are being pursued with a number of companies. It may become necessary to instigate legal proceedings during the year.

#### Finance

#### Business areas

The organisation is divided into an administrative section and nine business areas, in principle one for each agreement area. Ahead of budget decisions and on an ongoing basis during the year, Copyswede analyses what proportion of the secretariat's work should be spent on different issues and what costs are to be attributed to each area.

#### Management of funds held

Copyswede's management of funds held refers to funds which are to be invested until agreements are established or payment is made. Investments must not entail any risk to the capital amount. Under the applicable rules, any investments other than in bank accounts must be restricted to safe, non-speculative instruments. The types of security that are permissible are: certificates of deposit, treasury notes/bonds, treasury bills, money market instruments issued by specific institutions and other money market instruments offering a similar level of security. During the period 2009 to 2015, Copyswede invested annually in equity indexed bonds

with a term of up to five years. Because of the current economic situation, no further investments have since been made. The last remaining equity indexed bond of SEK 20 million matured in December 2018. In July 2016, Handelsbanken introduced a deposit fee of 0.3% of funds held. During 2017, the deposit fee amounted to approximately SEK 1.8 million. In order to reduce its costs, Copyswede conducted negotiations with various banks and in April 2018, Copyswede switched to Swedbank, as they do not charge a deposit fee. Copyswede's combined financial revenues and expenses during 2018 amounted to SEK 4,737,470 (SEK 5,006,968). Of this amount, SEK 9,194 (SEK 225) comprised interest income, SEK 5,189,756 (SEK 6,841,450) comprised net income from redeemed equity indexed bonds and an expense of SEK 461,330 (SEK 1,834,436) for the bank's deposit fee. The net result of financial income and expenses is allocated in accordance with the board's resolution to the provisions that are made and thereby benefit the right holders.

#### Expenditure and income

Copyswede's annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and the general recommendations of the Swedish Accounting Standards Board BFNAR 2012:1 Årsredovisning och koncernredovisning (K3). Income from operations consists of revenue for the use of copyrighted material and performances.

Consequently, the largest item of expenditure concerns copyright payments made or allocated to TV companies, producers, organisations, as well as to authors and performers. Other expenditure arises through the activities of the secretariat and the Board of Directors. Income in 2018 amounted to SEK 239,227,188 (SEK 234,445,564). Because collaboration among right holders extends over a number of areas of revenue, substantial economies of scale are available. This enables costs, determined as a percentage of revenue collected, to be kept down. In 2018, costs amounted to 13.8 percent (2017 12 percent).

#### Operating costs

Operating costs during the year amounted to SEK 32.9 million (SEK 28.2 million). Costs will be deducted from the various collected copyright revenues. Costs for individual distribution are only deducted from the amount available for individual distribution as a deduction. No deduction of cost is made relating to funds collected from organisations outside the Nordic region with which we have a representation agreement.

A percentage breakdown of costs for 2018 between the various categories is presented below.

Business Area, %	Cost Ratio, % 2018	Amount, SEK thousand 2018	Cost Ratio, % 2017	Amount, SEK thousand 2017
Retransmission of foreign channels	7.8	2,549	10.4	2,700
Retransmission of Swedish channels	11.3	3,687		- / -
Private copying levy	32.1		19.5	
Member services, deve- lopment issues, inhouse distribution issues	32.6	10,672	39.9	10,336
Individual distribution	14.2	4,653	13.4	3,467
Other	2.0	640	3.0	770
Total	100	32,719	100	25,896

The cost share for PKE has increased sharply compared with 2017. This is because no dispute was concluded during the

year and that no legal expenses were refunded. In 2017, lawyers' costs amounting to SEK 2,130,866, was refunded for the legal proceedings against Sony Mobile. The work to collect reports for the period 2009–2018 concerning mobile phones and for the period 2013–2018 concerning computers, tablets and internal hard drives also began with the assistance of lawyers. Total legal and consultancy expenses for private copying amounted to SEK 6,451,985, of which SEK 815,193 concerns expenses for claims and will be allocated to the collected amounts that the claims concern.

Funds accruing to external right holders, such as TV and radio companies and producer organizations, or funds where use requires the approval of the member organisations, may only be used to cover costs by agreement with the parties concerned. Such items are thus not recognised under costs in Copyswede's accounts but are instead reported as a Copyswede receivable from the respective collection category.

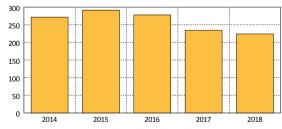
#### Allocation of profit

In accordance with the provisions governing the organisation's operations, Copyswede's Revenue and Expenditure Account closed with a break-even result.

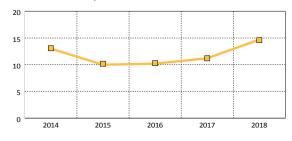
#### Key ratio

The purpose of key ratio is to reflect the organisation's operations. In the case of organisations such as Copyswede, it is difficult to find an accurate key ratio. The Board of Directors has decided to use the total cost of actual operations divided by the total revenue distributed. The key ratio then reflects not only the volume of the revenue collected, but also the fact that the distribution agreements have been established and monies paid out. Another consequence of the choice of ratio is that the higher the proportion of the monies paid out that are individual, the higher the key ratio. The cost of distributing small amounts to a large number of beneficiaries is naturally higher than that of distributing large amounts to just a few beneficiaries. In this respect, the key ratio may be misleading as a measure of the organisation's efficiency. When a new revenue category is added or the revenue that is being collected increases sharply, the key ratio will temporarily rise until distribution agreements are established and payments can be made. The chart below shows the developments in Copyswede's key ratio over the past few years.

#### REVENUE DEVELOPMENT 2014-2018, MSEK



### ADMINISTRATION COSTS AS A PERCENTAGE OF DISTRIBUTIONS PAID. 2014-2018



## **INCOME STATEMENT**

Copyswede Cooperative Economic Association, Corp. ID. No. 769602-0036

Operating Revenue	Note	2018	2017
Retransmission of foreign channels in Sweden		37,374,220	39,625,572
Retransmission of Swedish channels in Sweden		92,177,238	87,699,290
Private copying levy in Sweden	2	45,774,230	50,160,090
Other production of copies in Sweden		10,312,978	12,643,864
Revenues from the Nordic region		40,056,722	36,580,885
Revenues from the rest of Europe		13,314,719	5,367,417
Other operating revenue		217,081	2,368,445
		239,227,188	234,445,564
Operating Costs			
Copyright remuneration		-206,290,265	-206,180,869
Other external costs	5,6,7	-14,406,656	-10,431,623
Staff costs	3,4,8	-17,907,493	-17,238,646
Depreciation	9,10	-574,302	-541,830
		-239,178,717	-234,392,968
Operating profit		48,472	52,596
Result from Financial Investments			
Revenue of financial investment		5,198,950	6,841,675
Cost of financial investment		-461,480	-1,834,706
Net of financial investment to right holders		-4,737,470	-5,006,969
		0	0
Surplus after Financial Items		48,472	52,596
Tax	11	-48,472	-52,596
NET REVENUE FOR THE YEAR		0	0

## **BALANCE SHEET**

ASSETS	Note	31.12.2018	31.12.2017
Fixed Assets			
Intangible Assets			
Ongoing system development	9	1,455,199	290,963
Capitalised system development costs	9	564,228	831,806
		2,019,427	1,122,769
Tangible Assets			
Equipment	10	152,036	203,711
		152,036	203,711
Financial Assets			
Investments held as fixed assets	12	0	20,000,000
Other long-term receivables	13	1,030,784	1,036,924
		1,030,784	21,036,924
Total fixed Assets		3,202,247	22,363,404
Current Assets			
Current Receivables			
Accounts receivable	14	10,615,064	13,340,673
Taxes recoverable		366,942	303,293
Other receivables	15	47,603,750	34,390,356
Pre-paid expenses		2,294,555	3,300,031
Total Current Receivables		60,880,311	51,334,353
Cash and bank balance		623,202,153	609,668,702
Total Current Assets		623,202,153	609,668,702
TOTAL ASSETS		687,284,711	683,366,460

## **BALANCE SHEET**

EQUITY AND LIABILITIES	Note	31.12.2018	31.12.2017
Equity			
Restricted Equity			
Capital contributed		15,000	15,000
Total Equity		15,000	15,000
Provisions			
Provision for adjusted, non-recognised private copying levy	16	73,846,339	63,399,155
Total Provisions		73,846,339	63,399,155
Long-term Liabilities			
Owed to right holders	17	0	0
Total Long-term Liabilities		0	0
Current Liabilities			
Owed to right holders	17	599,989,157	598,415,679
Accounts payable		2,415,509	9,553,801
Other liabilities	18	425,030	368,679
Accrued expenses	19	10,593,677	11,614,146
Total Current Liabilities		613,423,372	619,952,304
TOTAL EQUITY AND LIABILITIES		687,284,711	683,366,460

## **REPORT ON CHANGES IN EQUITY**

EQUITY	31.12.2018	31.12.2017
Restricted Equity		
Contributed		
Opening balance contributed	15,000	15,000
ENDING BALANCE CONTRIBUTED	15,000	15,000

## **CASH FLOW STATEMENT**

Operating activities	Note	2018	2017
Operating profit		48,472	52,596
Adjustment for non-cash flow items			
Depreciation		574,302	541,830
Capital loss		2,976	14,364
		625,749	608,790
Interest received		4,737,470	5,006,969
Interest paid		-4,737,470	-5,006,969
Tax paid		-112,121	-25,217
Cash flow from operating activities before			
changes in working capital		513,628	583,573
Change in working capital			
Dicrease in current receivables (+), increase in current receivables (-)		-9,482,308	-6,654,880
Dicrease in current liabilities (-), increase in		-5,462,300	-0,034,000
current liabilities (+)		-6,528,932	-11,059,893
Cash flow from operating activities		-16,011,240	-17,714,773
Investment activity			
Investments in intangible assets	9	-1,351,387	-356,978
Investments in tangible assets	10	-70,874	-43,504
Investments in financial assets	12	0	0
Cash flow from investment activity		-1,422,260	-400,482
·			
Financial activity			
Decrease in long-term receivables (+)		20,006,140	20,029,565
Increase in long-term liabilities and provisions (+)		10,447,184	3,160,037
Cash flow from financial activity		30,453,324	23,189,602
Increase in cash and cash equivalents		13,533,452	5,657,921
Cash and cash equivalents at beginning of year		609,668,702	604,010,781
Cash and cash equivalents at year-end		623,202,154	609,668,702

## **NOTES**

#### Amounts in SEK unless stated otherwise.

#### » Note 1. Accounting and valuation policies

The annual accounts conform to the Swedish Annual Accounts Act and the general recommendations of the Swedish Accounting Standards Board BFNAR 2012:1 Årsredovisning och koncernredovisning (K3).

#### Revenues

Revenues consist of revenues invoiced during the year after the deduction of value added tax. All revenues consist of levies for the use of copyrighted protected works and performances. After the deduction of Copyswede's costs, revenues are distributed to the right holders who are entitled to remuneration from the respective collection categories.

Copyswede licenses some eighty foreign TV and radio channels, as well as SVT and TV4, for retransmission in Sweden and covers all types of networks and technologies, creating opportunities for selling on agreements when new means of distribution are developed. In addition to retransmission to households via cable networks. IP technology and the internet, Copyswede can also issue licences for retransmission in hotels and other similar establishments, as well as for internal use by companies, public authorities and organisations. Copyswede also issues licences to enable programmes which are retransmitted to be included in catch up services directly linked to the broadcast. Copyswede also administers the Swedish system for the private copying levy, which compensates authors and performers for the loss of income caused by private copying as regulated in the Swedish legislation and EU Directive. The revenues under the category 'Other production of copies' include, amongst other things, revenues for SVT's archive, UR and the publication of SVT programmes on DVD and via video on demand services

Revenues from the Nordic region concern Swedish TV channels, Swedish programmes broadcast via Nordic TV channels, and the private copying levy for Swedish programmes.

Revenues from the rest of Europe relate to the reuse and private copying of Swedish TV programmes outside the Nordic region.

#### Leasing

Leasing agreements where financial benefits and risks that are attributable to the lease assets largely remain with the lessor are classified as operational leasing. Payments, including an initial higher rent, in accordance with these agreements are recognised as a cost on a straight-line basis over the leasing period.

#### Pensions

Copyswede secures pension commitments through defined contribution-based payments to Collectum and SPP.

#### Human resources

Two of the enterprise's employees have company cars.

An agreement has been reached with the CEO concerning severance pay amounting to twelve months' salary. The agreement only applies in the event of termination of employment by the association.

#### Тах

Current taxes are recognised on the basis of the tax rates and tax rules applicable as of the balance sheet date.

#### Fixed assets

Intangible assets are recognised at acquisition value minus accumulated depreciation. Depreciation is carried out on a straight-line basis over the estimated useful life of the asset and amounts to five years.

Tangible assets are recognised at acquisition value minus accumulated depreciation.

Acquisition value includes expenses which can directly be attributed to the acquisition of the asset. Depreciation is carried out on a straight-line basis over the estimated useful life of the asset, which amounts to five years for all fixed assets except computers, which from acquisitions made during 2016 onwards have an estimated useful life of three years.

As Copyswede is a not for profit association and does not distribute dividends to its owners, inhouse-developed IT systems are not recognised as a Fund for Development Expenses in Own Capital, which represents a deviation from Section 10b of the Swedish Annual Accounts Act.

#### Financial assets

Financial instruments are recognised in accordance with the rules in K3 Chapter 11, which means that recognition is based on acquisition value.

#### Apportioning of income and expenses

The net result of financial income and expenses is apportioned in accordance with a board resolution to the provisions that are made and thereby benefit the right holders.

Receivables are recognised as current assets. Receivables are recognised at the amount that is expected to be received after the deduction of bad debts based on an individual assessment.

Operating costs have been apportioned between the various business areas of the association.

For distribution that requires the approval of external right holders, the amounts have been recognised as a receivable. Other distribution of expenses has been financed through deductions from the relevant gross collected amounts.

#### Cash flow statement

The cash flow statement is prepared according to the indirect method. The reported cash flow only covers transactions which resulted in incoming or outgoing payments.

#### Cash and cash equivalents

In addition to cash assets, the association classifies available receivables with banks as cash and cash equivalents. Blocked funds are not classified as cash and cash equivalents.

#### » Note 2. Estimates and assessments

Copyswede represents Swedish authors and performing artists. Copyswede's remit is to coordinate negotiations and agreements in certain areas of copyright, primarily retransmission of TV and radio, and to administer the collection of the private copying levy. Via mandates from Copyswede's member organizations and Copyswede's cooperation agreements with broadcasting companies and organizations for film and phonogram producers, we are able to sign comprehensive agreements concerning the use of copyrighted work and performances. Copyswede's remit also includes distributing the copyright revenues that are collected for various uses.

Copyswede reaches agreements in its own name on the basis of mandates from members. The association's expenses are deducted from copyright revenues. The remaining amount constitutes debts to member organisations and to those whose works and performances have been utilised. The revenue is distributed and disbursed to the right holders in accordance with member agreements and collective distribution agreements and in accordance with distribution resolutions approved by the board.

Copyswede has submitted a claim that the private copying levy should be paid for computers, tablets, internal hard drives and games consoles imported from 1 September 2013 onwards and that levies should be paid for mobile phones imported from 1 January 2009 onwards. A number of importers have objected to the claims, whilst many companies are reporting and paying the levy for the products. SEK 9.1 million was invoiced in 2013, SEK 22.4 million in 2014, SEK 10.6 million in 2015, SEK 12 million in 2016, SEK 9.7 million in 2017, and SEK 10.5 million in 2018 attributable to the products concerned. See also Note 16.

Given that a number of companies have opposed the revenue claims, the amounts invoiced have not been recognised as income. Copyswede

initiated a claim against Samsung concerning the company's reporting obligation regarding imported computers. In December 2016, the Patent and Market Court at Svea Court of Appeal, announced a judgement in the case. The court ruled that computers and tablets are covered by the levy for private copying. The judgement by the Patent and Market Court cannot be appealed. In December 2017, the Supreme Court announced a judgement in the case (T3973-15) against Sony Mobile Communications AB. The judgement means that the levy for multifunctional devices must be reduced to SEK 3/GB. The Supreme Court also ruled that in order for a further reduction to be possible, the importer must demonstrate that there are grounds for such a reduction.

The case that is still ongoing is that between Telia and Copyswede regarding Telia's imports of Iphones. At the end of 2018, Södertörn District Court announced a judgement in the case concerning imports of Iphones during the period 2009–2016. The judgement clarified the question of whether Telia was entitled to a further reduction from the levy of SEK 3 per GB, which Copyswede claimed the company had to pay. The court did not consider that Telia had managed to demonstrate grounds for a further reduction. Telia has appealed the judgement to the Patent and Market Court of Appeal. Because the levy levels have not yet been determined by the Patent and Market Court of Appeal and because negotiations are under way with the parties concerned, the revenues have not been recognised in the balance sheet or distributed to right holders. The level of the levy may be lower and, if so, it would then be necessary to repay any difference. Only once the level has been agreed with all parties concerned can distribution to right holders take place.

A reservation for bad debts has been issued concerning customers who have not adjusted their invoices. The level of the levy is under negotiation with the parties concerned. See Note 14.

#### » Note 3. Average Number of Employees

	2018	2017
Number of employees	18	17
Of whom, men, %	30	35

### » Note 4. Gender Breakdown, Board and Executive Management

	2018	2017
Board of Directors		
Number of women	2	2
Number of men	5	5
Executive Management		
Number of women	0	0
Number of men	1	1

#### » Note 5. Summary of Other External Costs

	2018	2017
Rent and other premises costs	1,909,377	1,804,838
Office costs	1,231,812	1,204,181
Consultancy costs, other external		
services, representation costs	9,246,017	5,802,624
Other costs	2,019,450	1,619,980
Summary of Other External Costs	14,406,656	10,431,623

#### » Note 6. Operational leasing agreements

Recognised operational leasing largely consists of leased premises. The lease agreement was re-signed as of 1 October 2017. If the agreement is not terminated, the tenancy period will be extended by three years on each occasion.

Future minimum leasing charges which must be paid concerning non-terminable leasing agreements:

	2018	2017
Falls due for payment within one year	2,199,775	2,046,134
Falls due for payment after more than		
one year but within five years	1,879,828	3,371,485
Falls due for payment after more than		
five years	0	0
Leasing charges expensed during the		
period	2,388,713	1,942,640

#### » Note 7. Information Regarding Fees to Auditors

	2018	2017
PricewaterhouseCoopers Ltd		
Auditing services	200,200	195,130
Auditing services in addition to		
the audit assignment	173,610	64,995
<b>Total Pricewaterhouse Coopers</b>	373,810	260,125
Specially appointed auditor		
Auditing services	5,073	4,830
Total	5,073	4,830
Total fees to Auditors	378,883	264,955

#### » Note 8. Salaries and Other Benefits

	2018	2017
Salaries and other benefits		
All employees	10,887,056	10,999,366
Of which, to CEO and Board of		
Directors	1,355,991	1,356,596
National insurance costs (inc. pension	costs)	
All employees	5,796,042	5,735,095
Of which, to CEO and Board of		
Directors	781,851	828,148
Pension costs		
All employees	1,958,208	1,900,093
Of which, to CEO	286,334	323,439
Total for all employees	18,641,307	18,634,555
Of which to CEO and Board of		
Directors	2,424,175	2,508,183

#### » Note 9. Intangible Assets

	2018	2017
Capitalised system development costs		
Acquisition value brought forward,		
ongoing acquisition	290,963	0
Ongoing acquisition	1,164,236	290,963
Accumulated acquisition value		
carried forward, ongoing acquisition	1,455,199	290,963
Acquisition value brought forward	6,542,171	6,476,156
Acquisition during the year	187,151	66,015
Disposals during the year	0	0
Accumulated acquisition value		
carried forward	6,729,321	6,542,171
Depreciation brought forward	5,710,365	5,276,221
Disposals during the year	0	0
Depreciation during the year	454,729	434,143
Accumulated depreciation carried		
forward	6,165,094	5,710,364
Scheduled residual value at year-end	564,228	831,807

#### » Note 10. Tangible Assets

· ·		
	2018	2017
Equipment		
Acquisition value brought forward	1,266,976	1,237,836
Acquisitions during the year	70,874	43,504
Disposals during the year	-81,104	-14,364
Accumulated acquisition value		
carried forward	1,256,745	1,266,976
Depreciation brought forward	1,063,265	955,578
Disposals during the year	-78,128	0
Depreciation during the year	119,573	107,687
Accumulated depreciation carried		
forward	1,104,709	1,063,265
Scheduled residual value at year-end	152,036	203,711

#### » Note 11. Tax

	2018	2017
Current tax	48,472	52,596
Deferred tax	48,472	52,596

Tax for the year concerns tax on non-deductible costs.

#### » Note 12. Investments held as fixed assets

Investments held as fixed assets concerned equity indexed bonds issued by Svenska Handelsbanken. The equity indexed bonds were principal-protected on the redemption dates with a term of four or five years. On 11 December 2018, equity indexed bond SHBO 1364 matured with a market value of SEK 25,189,756, nominally SEK 20,000,000.

	Opening Balance	Expiration Value	Profit	Closing Balance
Investments held				
as fixed assets	20.000.000	25.189.756	5.189.756	0

#### » Note 13. Other long term Receivables

Total other long term receivables	1,030,784	1,036,924
charges	18,750	0
Long term part of increased leasing		
Membership	12,034	12,034
Blocked funds as collateral for bank guarantees	1,000,000	1,024,890
	2018	2017

#### » Note 14. Accounts receivable

During 2012, a dispute arose between Copyswede and Com Hem concerning the payment of a penalty interest invoice of SEK 438,185. Com Hem has been charged penalty interest as a result of late payment of the levy for the retransmission of SVT.

Copyswede has claimed that the private copying levy should be paid for computers, tablets, internal hard drives and games consoles Imported from 1 Sepember 2013 onwards. Apple and Dustin have declared their sales of the products, but have not adjusted their invoices. During 2014, Apple wished to receive a credit note for invoices which concerned products covered by the levy from 1 September 2013. However, Copyswede's claim for payment for these products remains in force. See also Note 2.

During 2016, a reservation was issued concerning a bankrupt customer, Pixmania, regarding the private copying levy, as well as bad debts relating to Discovery Networks Sweden AB concerning receivables for Misco and Datorfixarna.com in Piteå, as well as for Teknikmagasinet, which is the subject of voluntary arrangements under insolvency legislation. All concern the private copying levy. During 2018, a composition was agreed with Teknikmagasinet. Also in 2018, a reservation was issued for Peter Elektronik AB.

	2018	2017
Accounts receivable	11 772 236	14 655 413
Provision for bad debts:		
Interest receivable, Com Hem	-438 185	-438 185
Discovery Networks Sweden AB	-264 516	-264 516
Peters Elektronik AB	-61 123	0
Dustin, private copying levy	-353 720	-353 720
Pixmania, private copying levy	-29 624	-29 624
Teknikmagasinet, private copying		
levy	0	-218 691
Misco, private copying levy	-5 332	-5 332
Datorfixarna.com i Piteå, private		
copying levy	-4 672	-4 672
Total receivables	10 615 064	13 340 673

#### » Note 15. Other receivables

Total other receivables amount to SEK 47,603,750 (SEK 34,390,536). The amount primarily consists of Copyswede's claim for cost coverage. See also account policies. Copyswede allocates its expenses to the association's various business areas, attributed to different areas of revenue under the respective business areas.

Before revenues are distributed, the business area's costs are deducted and costs are recognised as receivables.

This year's costs for administration of the private copying levy, amounting to SEX 10,517,655 (SEX 5,048,234) will partly be charged to the distribution of collected funds regarding 2018 that will take place during 2019 between FRF, IFPI, UBOS and Copyswede. SEK 815,193 concerns legal expenses for the work to collect reports for the period 2009–2018 regarding mobile phones and for the period 2013–2018 regarding computers, tablets and internal hard drives. These expenses will be allocated to the revenues that the claims concern.

Since 2017, the private copying levy has been exempt from value added tax. Other receivables include SEK 3,006,321 (SEK 1,136,457) which concerns invoiced input value added tax which is under review as regards the right of deduction.

Expenses attributable to administration of the retransmission of foreign channels in 2018 amounted to SEK 2,549,245(SEK 2,699,822) and will be deducted from the amount that is to be distributed during 2019.

In accordance with a decision dating from 1996, the costs for individual distribution for the year are to be determined in connection with closure of the annual accounts. Only organisations whose individual distribution is handled by Copyswede will contribute to financing this aspect of the operation. The cost of the year's individual distribution amounted to SEK 4,653,480 (SEK 3,861,720) and will be deducted from individual remuneration to be distributed in 2019.

Costs for development, emerging issues and Copyswede's own distribution issues amounted to SEK 10,019,812 (SEK 9,983,553). Costs will be deducted from Copyswede's own share of the revenues collection for retransmission and the private copying levy in proportion to the size of

This year's costs for work relating to the retransmission of Swedish channels amounted to SEK 3,686,946 (SEK 3,555,030), which will be deducted from amounts to be distributed in 2019.

#### » Note 16. Provision for adjusted non-recognised private copying levy

Copyswede has submitted a claim that the private copying levy should be paid on computers, tablets, internal hard drives and games consoles imported from 1 September 2013 onwards. A number of importers have objected to the claim, whilst many other companies are declaring and paying the levy for the products. As a number of companies are objecting to the claim for payment of the levy, the invoiced amounts have not been recognised as income. Copyswede instigated legal proceedings against Samsung regarding this issue during 2014. In December 2016, the Patent and Market Court of Appeal at Svea Court of Appeal, ruled that computers and tablets are covered by the levy scheme and that Samsung is obliged to declare its imports of these products. The judgement cannot be appealed. During 2013, Copyswede initiated legal pro-

ceedings against Telia for its imports of Iphones. In June 2016, the Supreme Court ruled that Iphones are covered by the private copying levy. The auestion of how the levy amount should be determined has been considered by Södertörn District Court. The judgement has been appealed to the Patent and Market Court of Appeal. See also the Directors' Report. In December 2017, the Supreme Court announced a judgement in the case (T3973-15) against Sony Mobile Communications AB. The judgement means that the levy for multifunctional devices must be reduced to SEK 3/GB. The Supreme Court also ruled that for any further reduction to be possible, importers of the devices must demonstrate that there are grounds for such a reduction. The following amounts have been invoiced but not yet recognised as income. Invoiced amounts of SEK 9.1 million in 2013, SEK 22.4 million in 2014, SEK 10.6 million in 2015, SEK 12 million in 2016, SEK 9.7 million in 2017 and SEK 10.5 million in 2018 were attributable to the products concerned. Adjustment with respect to the right holders will only take place once the current negotiations with Elektronikbranschen have been concluded.

Regarding customers who have not adjusted their invoices, a reservation has been issued for bad debts. See Note 14.

#### » Note 17. Owed to Rights Holders

	2018	2017
Undistributed retransmission		
revenue	217,723,356	220,840,897
Undistributed private copying		
levy	118,449,107	131,142,651
Estimated individual payments	53,081,306	50,488,695
Provisions, screenwriters	9,990,094	9,295,942
Provisions, writers	6,299,313	7,088,203
Provisions, journalists	4,890,013	4,084,208
Provisions, directors	7,647,049	10,781,380
Provisions, actors, misc. TF other		
than directors	23,266,653	26,231,694
Provisions, musicians	7,333,869	11,358,615
Provisions, film cameramen	1,089,706	1,121,589
Provisions, visual arts/still —		
photographers	8,669,367	6,938,140
Provisions, presenter	160,037	160,037
Other	141,389,287	118,883,628
Total	599,989,157	598,415,679
Of which, long-term component	0	0
Balance, current component	599,989,157	598,415,679

From the 2017 collection year onwards, collected funds will be distri-

buted within nine months after the end of the collection year. The work relating to transparency in order to make the distribution principles more transparent and effective will be completed during spring 2019, and funds for the 2017 collection year will then be distributed. In previous years, distribution has taken place around six to nine months after the end of the collection year to other organisations, and around 18 months after the end of the collection year to right holders at individual level. For calculated individual remunerations which have not yet been distributed, the information concerning the right holders is incomplete.

#### » Note 18. Other Liabilities

	2018	2017
Withholding tax	425,030	368,679
Total	425,030	368,679

#### » Note 19. Accrued Expenses

	2018	2017
Accrued personnel costs	3,033,607	2,674,074
Accrued consultancy costs	336,462	179,126
Compensation, ongoing legal disputes	6,231,030	6,231,030
Other accrued costs	992,577	2,529,915
Total	10,593,677	11,614,146

#### » Note 20. Collateral Pledged

	2018	2017
Bank guarantee, Copyswede's lessors	1,000,000	1,000,000

#### » Note 21. Key ratio

The key ratio chosen is operating costs, excluding copyright payments, expressed as a percentage of the total amount distributed during the year. The figure for 2018 was 14,7 per cent (11,2 per cent).

#### Stockholm, 23 April 2019

Ulf Mårtens	Susin Lindblom-Curman	Nicklas Sigurdsson	Mattias Åkerlind
<i>Chair</i>	1st Vice Chair	2nd Vice Chair	Chief Executive Officer
Jan Granvik	Mats Lindberg	Lisa Stålspets	Olle Wilöf

Our audit report was submitted on 26 April 2019

Jonas Grahn Authorised Public Accountant, PricewaterhouseCoopers Ltd Ola Edeblom Specially Appointed Auditor

## **AUDITOR'S REPORT**

To the General Meeting of Copyswede Cooperative Economic Association, Corp. ID. No. 769602-0036

#### REPORT ON THE ANNUAL REPORT

#### Opinion

We have audited the annual report of Copyswede Cooperative Economic Association for 2017.

In our opinion, the annual report has been prepared in accordance with the Annual Accounts Act and presents a true and fair picture in all material respects of the financial position of the Association as of 31 December 2017 and its financial performance and cash flow for the year ending as of that date in accordance with the Annual Accounts Act. The administration report is consistent with the other parts of the annual report.

We therefore recommend that the Annual General Meeting adopt the revenue and expenditure account and balance sheet for the Association.

#### **Basis for our Audit Opinion**

We conducted the audit in accordance with generally accepted auditing standards in Sweden. The responsibilities of the auditors in accordance with these standards are described in more detail below under the headings "Responsibilities of the authorised auditor" and "Responsibilities of the non-qualified auditor". We are independent of the association in accordance with generally accepted auditing standards in Sweden. As authorised auditor, I have fulfilled my professional 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 audit opinion.

#### Information other than the Annual Report

The Board of Directors and the Chief Executive Officer are responsible for other information. Other information consists of pages 1-15 of the printed version of the annual report (but does not include the annual report or our auditor's report regarding this report).

Our opinion concerning the annual report does not cover this information and we present no opinion with corroboration regarding this other information.

In connection with our audit of the annual report, it is our responsibility to read the information which is referred to above and to assess whether the information is inconsistent with the annual report in any material regard. In connection with this review, we also take into account information which we have otherwise obtained during the audit and assess whether the information generally appears to contain material misstatement.

If, on the basis of the work we have performed regarding this information, we conclude that the other information contains material misstatement, we are obliged to report the misstatement. We have nothing to report in this regard.

### Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for ensuring that the annual report is prepared and that it gives a true and fair picture in accordance with the Annual Accounts Act. The Board of Directors and the Chief Executive Officer are further responsible for the internal controls which they deem necessary in order to prepare an annual report which is free from material misstatement, whether due to fraud or error.

In connection with the preparation of the annual report, the Board of Directors and the Chief Executive Officer are responsible for assessing the Association's ability to continue operating. Where applicable, they will provide information on the circumstances which may affect the ability of the Association to continue operating and to apply the going concern assumption. However, the going concern assumption will not be applied if the Board of Directors and the Chief Executive Officer intend to liquidate the Association, wind up the operation or have no realistic alternative to doing any of this.

#### Responsibilities of the Authorised Auditor

I conducted the audit in accordance with the International Standards on Auditing (ISA) and generally accepted audited practice in Sweden. My aim is to obtain a reasonable degree of certainty that the annual report as a whole is free from material misstatement, whether due to fraud or error. A reasonable degree of certainty is a high level of certainty, but not a guarantee that an audit conducted in accordance with the ISA and generally accepted auditing standards in Sweden will always uncover any material misstatement. Errors can arise as a result of irregularities or errors and will be deemed to be material if they either individually or collectively could be expected to influence the financial decisions which users make on the basis of the annual report.

As part of an audit in accordance with the ISA, I use professional judgement and have a professionally sceptical approach throughout the audit. In addition:

- I identify and assess the risks of material misstatement in the annual report, whether due to fraud or error, formulate and implement audit procedures partly on the basis of these risks and obtain audit evidence which is sufficient and appropriate to provide a basis for my audit opinion. The risk of not discovering material misstatement as a result of fraud is greater than for misstatements due to error, as fraud can encompass actions in collusion, falsification, intentional omissions, erroneous information or the disregarding of internal controls.
- I gain an understanding of the aspects of the Association's internal controls which are of importance for our audit in order to formulate audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal controls.
- I evaluate the appropriateness of accounting policies used and assess estimates made by the Board of Directors and the Chief

Executive Officer when preparing the annual report and associated information.

- I draw a conclusion as regards the appropriateness of the Board of Directors and Chief Executive Officer using the going concern assumption when preparing the annual report. I also draw a conclusion, based on the audit evidence that has been obtained, as to whether there are any material uncertainty factors concerning events or circumstances which could lead to significant doubt over the Association's ability to continue operating. If I conclude that there is a material uncertainty factor, in the auditor's report I must draw attention to the information in the annual report concerning the material uncertainty factor or, if such information is insufficient, modify our audit opinion concerning the audit report. My conclusions are based on the audit evidence that is obtained through to the date of the audit report. However, future events or circumstances may mean that an association can no longer continue operating.
- I evaluate the overall presentation, structure and content of the annual report, including the information, and whether the annual report reflects the underlying transactions and events in a manner which gives a true and fair picture.

I am required to inform the Board of Directors of the planned scope, orientation and time of the audit. I must also provide information on significant observations made during the audit, including any significant deficiencies in the internal controls which I have identified.

#### Responsibilities of the Non-qualified Auditor

I am required to perform an audit in accordance with the Audit Act and thereby in accordance with generally accepted auditing standards in Sweden. My aim is to achieve a reasonable degree of certainty as to whether the annual report has been prepared in accordance with the Annual Accounts Act and whether the annual report gives a true and fair picture of the Association's financial performance and position.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

#### Opinion

The revenue and expenditure account of the Association is in accordance with the conditions of the Association's operations reporting a break-even result at the yearend.

We recommend that the Annual General Meeting appropriate the profit or loss in accordance with the recommendation in the administration report and discharge the Board of Directors from liability for the financial year.

#### Basis for our Audit Opinion

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibility in accordance with this is described in more detail under the heading "Responsibilities of the auditors". We are independent of the Association in accordance with generally accepted auditing standards in Sweden. As authorised auditor I have otherwise fulfilled my professional ethics 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 audit opinion.

### Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the recommendation for appropriations of the Association's profit or loss. The Board

of Directors is responsible for the Association's organisation and the administration of its affairs. Among other things, this involves assessing the Association's financial situation on an ongoing basis and ensuring that the Association's organisation is such that the bookkeeping, asset management and financial affairs are otherwise subject to adequate controls. The Chief Executive Officer is responsible for the ongoing administration in accordance with the Board of Directors' guidelines and instructions and, among other things, is required to implement the measures that are necessary to ensure that the Association's bookkeeping is carried out in accordance with the law and that asset management is carried out appropriately.

#### **Responsibilities of the Auditors**

Our aim regarding the audit of the administration, and thereby our opinion on discharge from liability, is to obtain audit evidence in order to assess, with a reasonable degree of certainty, whether in any material regard any member of the Board of Directors or the Chief Executive Officer has:

- carried out any measure or been guilty of any omission which could trigger compensation liability with respect to the Association, or
- in any way acted in breach of the Economic Associations Act, Annual Accounts Act or Articles of Association.

Our aim regarding the audit of the recommended appropriations of the Association's net revenue, and thereby our audit opinion concerning this, is to assess with a reasonable degree of certainty whether the proposal is compatible with the Economic Associations Act.

A reasonable degree of certainty is a high level of certainty, but not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always uncover any measures or omissions which could trigger compensation liability with respect to the Association, or that recommended appropriations of the Association's profit or loss are incompatible with the Economic Associations Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, the authorised auditor uses professional judgement and has a professionally sceptical approach throughout the audit. The audit of the management and the recommended appropriations of the Association's net revenue is primarily based on the audit of the accounts. The additional audit procedures that are carried out are based on the authorised auditor's professional assessment and other elected auditors' assessments based on risk and materiality. This means that we focus the audit on measures, areas and circumstances which are of significance to the operation and where deviations and infringements would be of particular importance to the Association's situation. We review and assess decisions that have been taken, information used in decision-making, measures implemented and other circumstances which are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' recommended appropriation of the Association's profit or loss. we examined the Board of Directors' recommendation in order to assess its compliance with the Economic Associations Act.

Stockholm, 26 April 2019 Öhrlings PricewaterhouseCoopers Ltd

Jonas Grahn Authorised Auditor

Ola Edeblom Specially Appointed Auditor



#### **BOARD OF DIRECTORS**

#### **CHAIRMAN**

*Ulf Mårtens*, Chief Negotiator at the Swedish Union for Performing Arts and Film and CEO of its rights company Rättighetsbolaget. On the board since 1997.

#### **FIRST VICE CHAIRMAN**

Susin Lindblom-Curman, Union Director of Writers Guild of Sweden, Also on board of ALIS, Centre for Drama, KLYS, The Lars Molin foundation, Swedish Copyright Society. On board since 1986.

#### **SECOND VICE CHAIRMAN**

Nicklas Sigurdsson, Head of Sales and Marketing, STIM/NCB. On the board since 2014.

#### **MEMBERS**

Jan Granvik, Chairman of the Swedish Musicians' Union and SAMI. Also on the board of: All Music Agency, Federationen svenska musiker, Federation International Musicians (FIM), KLYS, LO, LO-TCO rättsskydd AB, MusikAlliansen, Musiksverige, Scen och media juristerna. On the board since 2014.

Lisa Stålspets, Head of Legal Affairs at STIM/NCB. Also on the board of: Svensk Musik, Swedmic AB. On the board since 2018.

Mats Lindberg, CEO of Visual Copyright Society in Sweden. Also on the board of Bonus Copyright Access, International Confederation of Societies of Authors and Composers (CISAC), European Visual Artist (EVA) and the International Authors Forum (IAF). On the board since 1986.

Olle Wilöf, Legal Affairs at the Swedish Union of Journalists. Also on the board of ALIS, Bonus Copyright Access (alternate member). On the board since 2016.

## **FURTHER INFORMATION**

See our website www.copyswede.se for news and further information about our operations. The website also offers fact sheets, forms and webbased tools for right holders or retransmission/levy payers.

#### How is the money distributed?

If you would like to know more about how we distribute the revenue we collect every year, visit our website and read our document 'Distribution of Revenue'.

» Download at copyswede.se

#### Pressroom at PressMachine

Journalists can easily subscribe to press releases and other material via Copyswede's press room at Press-Machine:

pressmachine.se/pressroom/view/copyswede

#### Copyswede via social media

Follow Copyswede on Twitter: twitter.com/copyswede

#### **COPYSWEDE'S MEMBER ORGANISATIONS**

Copyswede has fourteen member organisations representing Swedish authors and performers:

**Visual Copyright Society in Sweden** www.bildupphovsratt.se

Writers Guild of Sweden www.dramatiker.se

Association of Swedish Illustrators and Graphic Designers www.svenskatecknare.se

**Swedish Artists' National Organisation (KRO)** www.kro.se

Nordic Copyright Bureau (NCB) www.stim.se

Swedish Artists and Musicians' Interest Organisation (SAMI) www.sami.se

Association of Swedish Professional Photographers (SFFot) www.sfoto.se

**Swedish Union of Journalists** www.sjf.se

**Swedish Musicians' Union** www.musikerforbundet.se

Swedish Performing Rights Society (STIM) www.stim.se

**Swedish Writers' Union** www.forfattarforbundet.se

**Swedish Association of Educational Writers (SLFF)** www.slff.se

**Swedish Federation of Professional Musicians (Symf)** www.symf.se

**Swedish Union for Performing Arts and Film** www.teaterforbundet.se

#### Copyswede's Collaborative Partners

*UBOS,* Union of Broadcasting Organisations in Sweden: coordinates Nordic public service TV companies and many corresponding broadcasting companies from other countries and language areas.

 $\it IFPI$ , International Federation of the Phonographic Industry, Swedish Group, represents phonogram producers.

FRF, Swedish Film Producers' Association, represents film and TVproducers in various fields. Through its collaboration with Agicoa and Eurocopya, FRF also represents international film and TV producers.







Alströmergatan 12, 7th floor, SE-112 47 Stockholm Phone: +46-8-545 667 00