



koda[®]

***TRANSPARENCY
REPORT
2017***

Introduction

Koda's 2017 transparency report is the second of its kind in Koda's history. The transparency report contains all the information required by the Danish Act on Collective Rights Management, which was adopted in 2016.

The report contains an activity report for 2017 reviewing key events of the year. This is followed by two sections detailing how Koda's revenues, generated by the public performance of music, are distributed amongst rightsholders in Denmark and abroad. Koda's distribution of cultural contributions is described in section four. Section five and six provide descriptions of when and how Koda can refuse to license a musical work as well as a brief description of Koda's legal set-up and the context wherein Koda operates. The final section of the report consists of Koda's financial statements for 2017.

Koda, April 2018

Content

1. Activity report	4
2. Revenues and deductions 2017	8
Methods and principles behind ‘Revenues and deductions 2017’	10
Revenues from foreign collective rights management societies in 2017	11
3. Distributions from Koda	12
Distribution frequency and speed	12
Distributed in 2017	13
For distribution as of 31. December 2017	14
Revenues from foreign collective rights management societies distributed in 2017	15
Distributions to foreign collective rights management societies	17
Reasons for delayed distributions	20
Reasons for Koda’s provisions	21
4. Koda’s cultural contributions	22
5. Information on refusal to license	27
6. Legal structure of Koda	28
7. Financial Statements for 2017	29

1. Activity report

Strategy

In 2013, when Koda drew up a strategy covering the forthcoming five years, the main focus was the significant changes lying ahead, in which the organisation had to prepare for a completely new competitive situation in the market.

By 2017, almost all of the strategic objectives have been achieved. Koda's low rate of administrative costs is maintained, international collaboration on IT and back-end services have been intensified, the revenues generated by the non-digital market (i.e. music use in shops, restaurants, at concerts) are growing, and efforts to secure revenue from abroad have been intensified.

In the forthcoming strategy, Koda focuses on two key areas: Retention of repertoire and digital development. As is shown in the following review, 2017 was a year, which in a number of areas was about securing the future of Koda's business acknowledging the fact that Koda is part of a brand new reality with new legislation in terms of international rights management.

Finances

With a turnover that for the first time exceeded one billion Danish kroner, 2017 marked a milestone in Koda's history. Even though a large part of the increase in turnover is a result of arrears payments of four years regarding TV distribution (cable TV and digital TV services) which were stranded due to lack of a settled distribution key, Koda has also experienced real growth within a number of areas.

Overall, the total turnover for 2017 resulted in 138 million EUR, which were distributed amongst rightsholders, partly in the form of individual distributions, and partly in the form of cultural contributions.

Within the Media section, the total turnover was 98 million EUR – an increase of 22 per cent compared to the previous year. The increase here that was not due to the arrears of four years' worth of revenues from TV distribution, is mainly due to streaming and video on demand (i.e. Netflix). Lastly, the revenues generated by radio and TV also contributed to a good result.

Within the Market section of business and live events, revenues also grew in 2017. Reaching a total turnover of 28 million EUR, this area experienced a four per cent increase compared to 2016. In particular, the large-scale concerts held under the auspices of Royal Arena and Live Nation as well as the rise of several new festivals in 2017 helped the increase of income in this section.

Koda's revenues from international territories grew by 19 per cent, reaching a total of 11 million EUR. The largest contributors were the geographically adjacent markets – the Nordic countries, the UK and Germany – which together accounted for two thirds of Koda's total revenues. The 2017 revenues from Germany were unusually large; reason being, they included accrued arrears payments dating back to 2014. The delay was caused by an unresolved tax dispute in Germany on the issue of double taxation.

Financial key results:

- Total turnover amounted to 138 million EUR plus an additional 0.8 million EUR in interests
- Administration costs came to 14 million EUR
- Amount to be distributed to rightsholders, including interest: 125 million EUR
- The admin rate was 9.8 per cent

A year of major negotiations

2017 was characterised by several major media negotiations. Within the TV area, Koda and fellow rightsholders representatives Copydan and UBOD entered into negotiations with TDC on a new general agreement. TDC is, with YouSee, Telmore and Fullrate, Koda's largest customer.

Within the field of Radio, new opportunities for broadcast arose on the DAB+ and FM bands, which prompted extensive negotiations on pricing models within the new broadcast areas. These negotiations will continue in 2018.

Within the field of streaming, Koda entered into negotiations on an extension of Koda's agreement with Spotify as well as the new music service from Amazon.

A few negotiations (Danish Broadcast Corporation and HBO) ended up in the Copyright License Tribunal, Ophavsretslicensnævnet, as the parties could not reach an agreement through direct negotiations. Both cases will continue into 2018.

Koda lost a case against the adult education association FOF when the Danish Supreme Court (Højesteret) ruled that FOF København was under no obligation to pay Koda for using music during dance and exercise classes.

Transparency

In 2017, Koda prepared and published its very first 'Transparency report 2016'. Koda is thereby one of the first collective rights management societies in the world to comply with the new EU requirements concerning transparency.

Development: members, works, distributions

Koda distributed a total of 107 million EUR to rightsholders in 2017. Of these, 45 million EUR were paid out to Koda members – a 19 per cent increase compared to 2016.

Regarding the Koda members, the highest earners account for most of this increase in revenues. For example, the number of composers and songwriters receiving more than 94.960 EUR (DKK 700,000) for performances in Denmark has more than doubled in the period from 2010 to 2017 (from 9 to 23).

Koda received 1,542 new members in 2017, 1,522 of which are composers and lyricists while 20 are music publishers.

In 2016, Koda had 18.4 million works registered in the ICE work database. In 2017, that number has risen to 20.3 million works. Regarding the Koda members' works, a total of 1.1 million had been registered in the database in 2016. In 2017, that number rose to 1.2 million.

Efficiency and development of new technology

Many activities in 2017 aimed at ensuring greater efficiency and quality in both systems and processes for data processing and in servicing customers and members.

A new CRM system was implemented to manage customers and members alongside updating the system handling accounting, wages, timesheets as well as distributions to members and suppliers etc.

The quality of the work that ICE has done for Koda since 2015 has been continuously upgraded and improved especially in relation to identifying international, undocumented works. Better data quality and improved systems have enabled Koda to handle increased quantities of musical works without requiring a similar increase in resources spent. In 2017, Koda made distributions for the use of 796,353 unique works – an increase of 58 per cent in merely two years.

Updating the membership portal

In Koda's pan-Nordic collaboration Polaris, which in addition to Koda consists of Finnish Teosto and Norwegian Tono, four releases were carried through in 2017 within the shared reporting and distribution systems. In addition, two new projects were launched: Firstly, the Polaris Cue system, intending to secure that cues for films and series only need to be registered once within the Polaris alliance, while also being automatically integrated with international systems. Secondly, the Polaris Dashboard, which will collect selected member data in order for the three societies to subsequently use this data across their member sites. Both projects are scheduled for completion in 2018.

2017 was also the year where Koda truly began rolling out the plans for a more general business development approach focusing on digital technology and new business models.

In times of digital change and upheaval, it is more important than ever to monitor trends and initiatives affecting one's industry and other industries, constantly testing how these might generate value in your own business. Koda has chosen to work with business development internally; however, in 2017 the Polaris alliance also launched the Polaris Future Lab, which aims to develop the three organisations through strategic and digital innovation.

Polaris Future Lab has already launched its first two pilot projects. One of these projects focuses on optimising and automating a cumbersome, time-consuming manual working process via Machine Learning. The second pilot project tests the opportunities for optimising data sharing, both internally and with partners working on new digital solutions for Koda's members and customers.

Political framework

In 2017, Koda's international and political work was mainly focused on the EU's Copyright Reform. The reform package encompasses a range of directives and regulations:

- The Copyright Directive
- The regulation on geo-blocking
- The regulation on cross-border portability
- The Marrakesh Treaty
- The broadcasting regulation

Koda's main focus is primarily on the copyright directive and the broadcasting regulation. In 2017, Koda continued to play an active part in influencing the legislation where relevant and where necessary to fight for a more copyright-friendly approach than what the current legislation allows for. This was done partly through collaboration with our European umbrella organisation, GESAC, partly through meetings with relevant politicians and civil servants in Denmark and Brussels, and furthermore by participating in a range of various hearings, discussions and political network events.

In addition, the implementation of the directive on collective rights management, the CRM directive, required a considerable effort. At the general meeting held on 27 April 2017, Koda finalised its implementation of the CRM Directive.

Finally, Koda began preparations to meet the forthcoming requirements of the Data Protection Regulation.

NCB

NCB, which manages the recording and mechanical rights, relocated to the Koda premises. This meant that the organisation had changed their address and that the employees at Koda got ten new colleagues.

Awareness and reputation

In 2017 we asked the Danes about their general awareness of and attitudes towards Koda and Koda's work. Among the key findings, the survey showed a definite dominance of positive and neutral associations pertaining to Koda, as well as general support for Koda's work and activities. Hence, the survey documented that the Danes generally agree that musicians should receive payment if others use their music in the public arena or as part of their business.

Additionally, two major surveys were conducted in 2017:

1. Dansk Musikomsætning (Turnover in the Danish Music Sector) – an analysis of the economic value of the music industry within the Danish society, executed by Rambøll on behalf of Koda, IFPI, Dansk Live, MXD, Gramex and Musikforlæggerne.

2. Polaris Nordic Survey – a study of digital music consumption patterns in the four Nordic countries, carried out by YouGov in collaboration with Teosto and Tono.

2. Revenues and deductions 2017

The table below displays Koda's revenues in 2017, which, after deductions and applied interest rates, result in the net amounts to be distributed amongst rightsholders. The methods and principles behind the table are described on page 10.

Table 2.1 Revenues and deductions 2017

in thousand EUR

Area of use	Revenue	Interest	Deduction for administration	For distribution after deduction for administration	Deduction for cultural contributions	Contributions to first performance awards and subsidised concerts	Distribution of interest	For individual distribution
General public performance								
Background - no reporting	8,076		-1,547	6,529	-652	-292	52	5,636
Background - with reporting	5,343		-1,048	4,295	-429	-192	34	3,708
Cinemas and film screenings	1,723		-338	1,385	-138	-62	11	1,196
Concert	11,908		-2,126	9,782	-977	-432	75	8,448
Major Live Concert	1,088		-85	1,004	-100			903
Subsidised concert	59			59	-6	685		738
First performance awards - concert						537		537
Total	28,197		-5,143	23,054	-2,304	245	172	21,168
Broadcast								
TV	15,443		-2,509	12,934	-1,292	-578	99	11,163
Radio	12,921		-2,112	10,810	-1,080	-483	83	9,329
TV Distribution	33,042		-591	32,451	-3,243		211	29,420
TV Distribution - separate distribution basis	4,480		-619	3,861	-386	-125	29	3,379
First performance award - TV og radio						940		940
Danish TV channels uplinked from the UK	68		-7	61				61
Danish TV channels abroad	607		-21	586				586
Total	66,561		-5,859	60,702	-6,001	-245	422	54,878
Online								
Streaming of TV, film and series	5,783		-454	5,329	-479		37	4,887
Interactive TV services	14,003		-1,400	12,603	-947		90	11,746
Background music on websites	534		-91	443	-39		3	408
Music streaming and download	10,703		-692	10,011	-580			9,431
Total	31,023		-2,638	28,386	-2,044		130	26,471
Abroad								
Koda works performed abroad	10,570			10,570				10,570
Total	10,570			10,570				10,570
Out of category								
Interest		804		804	-80		-724	
KulturPlus (collective distribution)	573			573				573
KulturPlus (individual distribution)	1,141		-29	1,112				1,112
Total	1,713	804	-29	2,489	-80		-724	1,685
Grand total	138,066	804	-13,669	125,201	-10,429	0		114,772

Table 2.2 is a variation of table 2.1 in which deductions and contributions have been listed as percentages. The methods and principles behind the table are described on page 10.

Revenues and deductions
Table 2.2 - with deductions and contributions listed as percentages

in thousand EUR

Area of use	Revenue	Interest	Deduction for administration	For distribution after deduction for administration	Deduction for cultural contributions	Contributions to first performance award and subsidised concert	Distribution of interest	For individual distribution
General public performance								
Background - no reporting	8,076		-19%	6,529	-10%	-4%	52	5,636
Background - with reporting	5,343		-20%	4,295	-10%	-4%	34	3,708
Cinemas and film screenings	1,723		-20%	1,385	-10%	-4%	11	1,196
Concert	11,908		-18%	9,782	-10%	-4%	75	8,448
Major Live Concert	1,088		-8%	1,004	-10%			903
Subsidised concert	59			59	-10%			738
First performance award - concert								537
Total	28,197		-18%	23,054	-10%		172	21,168
Broadcast								
TV	15,443		-16%	12,934	-10%	-4%	99	11,163
Radio	12,921		-16%	10,810	-10%	-4%	83	9,329
TV distribution	33,042		-2%	32,451	-10%		211	29,420
TV distribution - separate distribution basis	4,480		-14%	3,861	-10%	-3%	29	3,379
First performance award - TV and radio								940
Danish TV channels uplinked from the UK	68		-11%	61				61
Danish TV channels abroad	607		-3%	586				586
Total	66,561		-9%	60,702	-10%		422	54,878
Online								
Streaming of TV, films and series	5,783		-8%	5,329	-9%		37	4,887
Interactive TV services	14,003		-10%	12,603	-8%		90	11,746
Background music on websites	534		-17%	443	-9%		3	408
Music streaming and download	10,703		-6%	10,011	-6%			9,431
Total	31,023		-9%	28,386	-7%		130	26,471
Abroad								
Koda works performed abroad	10,570			10,570				10,570
Total	10,570			10,570				10,570
Out of category								
Interest		804		804	-10%		-724	
KulturPlus (collective distribution)	573			573				573
KulturPlus (individual distribution)	1,141		-3%	1,112				1,112
Total	1,713	804	-1%	2,489	-3%		-724	1,685
Grand total	138,066	804	-10%	125,201	-8%		0	114,772

Methods and principles behind 'Revenues and deductions 2017'

The following is a description of the method and assumptions underlying table 2.1 on page 8 and table 2.2 on page 9.

Koda's revenues are divided into categories, which are further subdivided into a number of areas of use. The breakdown is based on the registration of income in Koda's account plan and follows the order of presentation provided in note 1 of the financial statements in Koda's annual report.

Like the financial statements, the accounting period follows the calendar year.

For each area of use, a deduction is made to cover administrative costs. The deduction for each area is calculated on the basis of the actual resource consumption associated with that individual area. For example, this may involve the resources regarding collecting licensing fees, processing music report data and distributions to specific areas of use. The deductions also cover the resources demanded by each area in terms of joint functions and staff functions. No deductions for administration costs are made from revenue received by Koda from abroad for performances of Koda members' music. This is due to the fact that these revenues already have been subject to deductions to cover the administrative costs of their relevant foreign society.

For each area of use, a deduction is made for Koda's cultural contributions.

The deduction is calculated in accordance with Koda's Articles of Association of the total income for public performance per type of use after the deduction for administration has been made. No deductions for cultural contributions are made from payments regarding mechanical rights, from income from abroad, or from KulturPlus income. For certain areas of use, a deduction has also been made to cover the cost of first performance awards and/ or to contribute to the subsidised concert reserve. These deductions follow Koda's general distribution policy.

The amounts listed 'For individual distribution' in the far right column are the amounts that, after the applicable deductions, are distributed individually within the various areas. The table 'Distributed in 2017' on page 13 displays the share of these amounts which were distributed in 2017, while the table 'For distribution as of 31 December 2017' on page 14 displays the share ready for distribution as per 31 December 2017.

Revenues from other collective rights management societies in 2017

The table below displays the part of Koda's total revenue in 2017 received from other collective rights management societies. The table adheres to the same method and principles as tables 2.1 and 2.2, described in 'Methods and principles behind 'Revenues and deductions Koda 2017'' on page 10.

Table 2.3 Revenues from other collective rights management societies in 2017

in thousand
EUR

Received from	Revenue	Deduction for administration	For distribution after deduction for administration	Deduction for cultural contributions	Contributions to first performance award and subsidised concert	For distribution
Copydan						
General public performance						
Background - no reporting	110	-21	89	-9	-4	76
Cinema and film screenings	282	-55	227	-23	-10	194
Total	392	-76	316	-32	-14	270
Broadcast						
TV	470	-76	393	-39	-18	336
TV distribution	33,042	-591	32,451	-3,243		29,208
TV distribution - separate distribution basis	4,480	-619	3,861	-386	-125	3,350
Total	37,991	-1,287	36,705	-3,668	-142	32,895
Online						
Interactive TV services	13,092	-1,309	11,783	-883		10,900
Total	13,092	-1,309	11,783	-883		10,900
Out of category						
KulturPlus (collective distribution)*	573		573			573
KulturPlus (individual distribution)	1,141	-29	1,112			1,112
Total	1,713	-29	1,685			1,685
Total - Copydan	53,189	-2,701	50,488	-4,582	-156	45,749
Abroad						
Broadcast						
TV channels uplinked from the UK	68	-7	61			61
TV channels abroad	607	-21	586			586
Total	675	-28	647			647
Danish performances abroad						
Koda works performed abroad	10,570		10,570			10,570
Total	10,570		10,570			10,570
Total - Abroad	11,246	-28	11,217			11,217
Grand total	64,434	-2,729	61,705	-4,582	-156	56,966

* The KulturPlus (collective distribution) entry includes 24 thousand EUR from Producent Rettigheder Danmark for copying onto blank media.

3. Distributions from Koda

Distribution frequency and speed

Koda made four distributions in 2017: in March, June, September and December.

The majority of Koda's distribution areas were paid out quarterly and included all areas where quarterly payment was possible. The distributions were carried out two quarters after the music was used; meaning members received payment in September for performances made in the first quarter of the year. The final payment of outstanding amounts was carried out in September in the year following the relevant performance.

Annual distributions were carried out within certain areas. This regarded areas where it was not possible to obtain data quarterly, and areas with limited income, where distributions only happen yearly due to costs. Revenue generated by the use of Koda's members music abroad were distributed as soon as possible after being received from the relevant collective rights management society.

In some situations, distributions were delayed due to agreement disputes, lack of reporting, lack of relevant data or lack of rightsholder data. The reasons for such delays are described in greater detail and the amounts specified in the section on 'Reasons for delayed distributions' on page 20.

Distributed in 2017

The table below displays the amounts that Koda distributed¹ in 2017 and which, after any adjustment in the provision for subsequent years, constitute the total distributions for 2017.

Table 3.1 Distributed in 2017

in thousand EUR

Rights category	Revenue from 2017	Revenue from 2016 and before	Total
General public performance	-3,610	-18,700	-22,310
Broadcast	-20,526	-37,812	-58,338
Online	-5,998	-9,488	-15,487
Out of category		-588	-588
Total - Denmark	-30,134	-66,589	-96,723
Abroad	-7,317	-4,349	-11,666
Total - Abroad	-7,317	-4,349	-11,666
Total	-37,451	-70,938	-108,390

Table 3.2 Adjustment in provisions in 2017

in thousand EUR

Provision type	Total
Profits from the sale of property	-
Undocumented works and rightsholders, double claims, etc.	1,609
Returned shares	117
Total	1,726

Table 3.3 Distributed in 2017, payments made

in thousand EUR

Type	Total
Distributed in 2017	-108,390
Adjustment in provisions 2017	1,726
Total	-106,664

Table 3.1 specifies the revenue distributed in 2017. The amounts are classified by category of rights corresponding to table 2.1 on page 8, and distinguish between distributed revenues from 2017 and from 2016 and earlier. The only revenues accounted for under 'Out of category' are income from 'KulturPlus' and interests. Figures pertaining to abroad are specified in table 3.7 on page 15.

Table 3.2 shows the adjustments in Koda's provisions in 2017.

Table 3.3 shows the total amount distributed in 2017. This is calculated by deducting the provisions from the total amount due for distribution.

¹ 'Distributed' amounts are amounts which have been processed in Koda's reporting and distribution system, and hence ready for payment. The majority of these amounts will be paid out at the next coming distribution, but a small part will be temporarily withheld from actual distribution due to insufficient documentation concerning the relevant work or rightsholder. In this report, such amounts are listed as 'provisions'.

For distribution as of 31. December 2017

The table below displays the revenue which as per 31st December 2017 had not yet been distributed. The amounts have been specified on the basis of the amounts due for distribution and those set aside for provisions.

Table 3.4 For distribution as of 31. December 2017

in thousand EUR

Rights category	Revenue from 2017	Revenue from 2016 and before	Undistributable funds for 2016, etc.	Total
General public performance	17,558	-874	691	17,374
Broadcast	34,352	1,070	1,051	36,472
Online	20,473	11,313	72	31,858
Out of category	1,112	-142	140	1,111
Total - Denmark	73,495	11,367	1,953	86,815
Abroad	3,253	701		3,955
Total - Abroad	3,253	701		3,955
Total	76,748	14,021*		90,770

* This amount is the total from of 'Revenue from 2016 and before' and 'Undistributable funds for 2016, etc.'. The amount is specified in table 3.9.

Table 3.5 Provisions as of 31. December 2017

in thousand EUR

Provision type	Provision	Undistributable funds	Total
Profit from sale of property	1,718		1,718
Undocumented works and rightsholders, double claims, etc.	8,462	819	9,281
Returned shares etc.	1,173		1,173
Total	11,353	819	12,172**

** This amount is specified in greater detail in table 3.10.

Table 3.6 For distribution as of 31.12.2017

in thousand EUR

Type	Total
For distribution as of 31.12.2017	90,770
Provision as of 31.12.2017	12,172
Total	102,942

Table 3.4 shows the amounts still due for distribution at the time of calculation. The amounts are listed by rights category in accordance with table 2.1 on page 8 and distinguish between distributed revenue from 2017 and distributed revenue from 2016 and earlier. The only revenues accounted for under 'Out of category' are income from 'KulturPlus' and interest.

Table 3.5 shows amounts that were set aside for provisions at the time of calculation, listed by type of provision. It also specifies the amounts classified as undistributable at the time of calculation and thus encompassed by the decision concerning the use of undistributable funds at the general meeting. These amounts are funds that have been held back in member accounts for three years, either due to a lack of work documentation or lack of rightsholder documentation.

Table 3.6 sums up the total amount due for distribution as of 31 December 2017.

Revenues from foreign collective rights management societies distributed in 2017

The table below displays the revenues for 2017 and earlier years that Koda received from foreign collective rights management societies and distributed to Koda members in 2017 for use of their music outside of Denmark. Amounts are listed by society and classified by rights category.

Table 3.7 Revenues from foreign collective rights management societies distributed in 2017

in thousand EUR

Country	Society	General public performance	Broadcast	Online	Unknown category	Out of category	Total
Argentina	SADAIC	20	18	0	16		55
Armenia	ARMAUTHOR	0	0		0		0
Australia	APRA	8	123	56	37		224
Austria	AKM	32	76	3			111
Barbados	COSCAP		0		0		0
Belgium	SABAM	33	87	6	37		162
Brazil	UBC	15	96	1	28		140
Bulgaria	MUSICAUTOR		1				1
Canada	SOCAN	9	69		89	0	168
Chile	SCD	0	1				1
China	MCSC	1	3		16		20
Colombia	SAYCO		2	1	1		3
Costa Rica	ACAM				0		0
Croatia	HDS-ZAMP		5		9		14
Czech Republic	OSA	3	28	1	0		33
Ecuador	SAYCE				0		0
Estonia	EAU	2	7				10
Finland	TEOSTO	120	1,161	91	22	2	1,395
France	SACEM	122	448	20	89		679
Georgia	GCA	0	1				1
Germany	GEMA	364	1,238	132	185	0	1,919
Greece	AEPI	0	0	0			1
Hong Kong	CASH	3	4	3	7		17
Hungary	ARTISJUS	7	10	0	7	7	31
Iceland	STEF		0				0
India	IPRS (PRS)		0				0
Indonesia	KCI (BUMA)						
Indonesia	WAMI		0		1		1
Ireland	IMRO	6	24	4	5		40
Israel	ACUM	9	17	2	0		29
Italy	SIAE	224	169	28	84		505
Japan	JASRAC	23	141	59	32		256
Kazakhstan	KAZAK	1	1	0	0		2
Latvia	AKKA/LAA	11	4		0	0	16
Lithuania	LATGA-A	12	51		0		63
Macedonia	ZAMP		0				0

Table 3.7 Continued

in thousand EUR

Country	Society	General public performance	Broadcast	Online	Unknown category	Out of category	Total
Malaysia	MACP	0	4	1	7		12
Mexico	SACM	2	12	5	2	0	21
Netherlands	BUMA	156	255	55	38		504
Netherlands	STEMRA		0			0	0
Norway	TONO	242	577	65	5	10	899
Peru	APDAYC	3	2	1	1		7
Philippines	FILSCAP	1	0		4		5
Poland	ZAIS	27	30	1	7	0	65
Portugal	SPA	0	21	0	2	1	24
Romania	UCMR - DDA	3	17	1	13		34
Russia	RAO	5	7		0		13
Serbia	SOKOJ	0	3				4
Singapore	COMPASS	7	4	0	17		29
Slovakia	SOZA	0	14	0			15
Slovenia	SAZAS	2	7	0	0		8
South Africa	SAMRO	0	20		1		21
South Korea	KOMCA	72	19				92
Spain	SGAE	72	54	10	4		139
Sweden	STIM	168	1,010	686	102	40	2,007
Switzerland	SUISA	47	162	14	31		253
Thailand	MCT	5	1	0	0		6
Trinidad and Tobago	COTT	0	0				0
Turkey	MESAM	7	29	1	3		40
United Kingdom	PRS	173	496	233	100		1,002
Uruguay	AGADU		0		0		0
USA	ASCAP	88	192	61			341
USA	BMI	37	119		65		220
USA	SESAC		3	1	2		6
Vietnam	VCPMC	3	1	0	1	0	5
Total		2,150	6,846	1,541	1,069	60	11,666

Distributions to foreign collective rights management societies

The table below shows the amounts that Koda distributed to foreign collective rights management societies in 2017 for use of their members' music in Denmark. Amounts are listed by society and classified by rights category.

Table 3.8 Distributions to foreign collective rights management societies abroad in 2017

in thousand EUR

Country	Society	General public performance	Broadcast	Online*	Out of category	Distributed on behalf of Koda	Total
Albania	ALBAUTOR			0			0
Algeria	ONDA	0	0	0			0
Argentina	SADAIC	8	10	6	0		24
Armenia	ARMAUTHOR	0	0	0	0		0
Australia	APRA	145	1,172	98			1,415
Australia	AMCOS			11	0		12
Austria	AKM	39	128	20	1		188
Austria	AUME			6	0		6
Barbados	COSCAP	0	0	0			0
Belgium	SABAM	20	34	16	0	5	76
Benin	BUBEDRA (SACEM)	0	0	0			0
Bolivia	SOBODAYCOM	0	0	0			0
Bosnia-Herzegovina	SQN	0	0				0
Bosnia-Herzegovina	AMUS	0					0
Brazil	ADDAF			0			0
Brazil	AMAR	1	2	0	0		3
Brazil	SADEMBRA	0	0	0			0
Brazil	SBACEM	0	1	0	0		1
Brazil	SICAM	0	0	0			0
Brazil	UBC	6	8	1			15
Brazil	SOCINPRO	0	0	0			0
Brazil	ABRAMUS	1	1	0			3
Brazil	ASSIM	0	0	0			0
Bulgaria	MUSICAUTOR	0	0	0	0		1
Burkina Faso	BBDA	0	0	0			0
Canada	SODRAC			4	0		4
Canada	SOCAN	177	735	105	4	5	1,025
Chile	SCD	2	0	0			3
China	MCSC	0	2	0			3
Colombia	SAYCO	2	18	1	0		21
Congo	BCDA (SACEM)			0			0
Costa Rica	ACAM	0	0	0	0		0
Côte d'Ivoire	BURIDA (SACEM)	0	0	0			0
Croatia	HDS-ZAMP	2	6	1	0		8
Cuba	ACDAM	0	0	0			0
Czech Republic	OSA	4	6	1	0		11

Table 3.8 Continued

in thousand EUR

Country	Society	General public performance	Broadcast	Online*	Out of category	Distributed on behalf of Koda	Total
Dominican Republic	SGACEDOM		0	0			0
Ecuador	SAYCE	0		0			0
Egypt	SACERAU (SACEM)			0			0
Estonia	EAU	3	5	2	0		10
Finland	TEOSTO	52	51	26	1		130
France	SACEM	354	996	205	8	172	1,735
Georgia	GCA	0	1	0	0		1
Germany	GEMA	266	714	195	6	1,675	2,856
Ghana	COSGA	0	0	0			0
Greece	AEPI	0	2	2	0		4
Guatemala	AGAYC			0			0
Guinea	BGDA (SACEM)	0	0	0	0		0
Hong Kong	CASH	0	1	1			2
Hungary	ARTISJUS	3	2	1	0		7
Iceland	STEF	15	28	7	0		50
India	IPRS (PRS)	0	1	0			1
Indonesia	KCI (BUMA)		0	0			0
Ireland	IMRO	43	127	21	1		191
Israel	ACUM	7	13	7	0		28
Italy	SIAE	58	165	39	1	7	269
Jamaica	JACAP	0	1	0	0		1
Japan	JASRAC	10	19	10	0		40
Kazakhstan	KAZAK	0	0	0			0
Kenya	MCSK (PRS)	0	0	0			0
Latvia	AKKA/LAA	1	10	0	0		11
Lithuania	LATGA-A	0	1	0	0		1
Macedonia	ZAMP	0	0	0	0		0
Madagascar	OMDA (SACEM)		0				0
Malaysia	MACP	0	0	0			0
Mali	BUMDA (SACEM)	0	0	0			1
Mauritius	MASA	0	0	0			0
Mexico	SACM	1	6	1	0		8
Montenegro	PAM Cg (Montenegro)	0	0	0	0		0
Netherlands	BUMA	81	118	86	1		286
Netherlands	STEMRA			37	0		37
Nigeria	MCSN (PRS)	0	0	0			0
Nigeria	COSON	0	0	0			0
Norway	TONO	206	307	228	5	500	1,246
Panama	SPAC	0	0	0			0
Paraguay	APA	0	0	0			0
Peru	APDAYC	0	0	0			0
Philippines	FILSCAP	0	0	0			0
Poland	ZAIKS	4	10	6	0		21
Portugal	SPA	3	2	1	0		6
Puerto Rico	SPACEM	0	0	0			0
Romania	UCMR - DDA	1	1	0	0		1

Table 3.8 Continued

in thousand EUR

Country	Society	General public performance	Broadcast	Online*	Out of category	Distributed on behalf of Koda	Total
Russia	RAO	3	5	1	0		9
Saint Lucia	ECCO		0	0			0
Senegal	BSDA (SACEM)	0	1	0	0		1
Serbia	SOKOJ	0	1	2	0		3
Singapore	COMPASS	0	0	0			1
Slovakia	SOZA	0	0	0	0		0
Slovakia	SAZAS	0	1	0	0		2
South Africa	SAMRO	2	12	2	0		16
South Africa	SARRAL			0			0
South Korea	KOMCA	0	2	1	0		3
Spain	SGAE	28	84	24	1	8	145
Sweden	STIM	4,991	14,332	4,112	171	1,238	24,844
Switzerland	SUISA	31	33	17	0	17	98
Taiwan	MUST	0	0	0			0
Thailand	MCT	0	0	0			0
Trinidad and Tobago	COTT	0	0	0			1
Turkey	MESAM	1	1	1		0	2
Turkey	MSG	0	0	4			4
Uganda	UPRS	0	0	0			0
Ukraine	SCAU	0	0	0			0
United Kingdom	MCPS			115	2		117
United Kingdom	PRS	1,748	6,602	1,044	52	4,847	14,294
Uruguay	AGADU	0	0	0			1
USA	ASCAP	1,284	3,947	956	24	186	6,396
USA	AMRA	53	83	29	0		166
USA	BMI	1,126	4,140	1,076	25	102	6,469
USA	FOX			1	0		1
USA	SESAC	94	362	82	2		539
Venezuela	SACVEN	0	0	0			0
Vietnam	VCPMC	0	0	0			0
Zaire	SONECA (SACEM)	0	1	0			1
Zambia	ZAMCOPS	0	0	0			0
Zimbabwe	ZIMRA (PRS)	0	0	0			0
Total		10,881	34,312	8,617	304	8,762	62,876

* The Online entry includes amounts distributed by NMP/NCB on behalf of Koda.

Reasons for delayed distributions

Table 3.4 on page 14 display the revenues which as per 31 December 2017 was not distributed. The majority of these are 2017 revenues, which follows Koda's quarterly and annual payment terms and will therefore be distributed in 2018 within the applicable deadlines for distributions laid down in the Danish Act on Collective Rights Management¹. Additionally, the table includes unsettled income from 2016 and before, which, according to the statutory deadlines for distribution, is delayed. The reasons why these revenues were not distributed at the time of calculation are stated in table 3.9 below. Revenues from abroad that Koda receives from foreign collective rights management societies are subject to other deadlines than revenue collected by Koda². This means that revenues from abroad received within the first half of 2017 and which was not distributed as per 31 December 2017 are also delayed according to law.

Table 3.9 For distribution as of 31.12.2017

in thousand EUR

Reason for delayed distribution	2016 and before	Undistributable funds - included in the proposal for use presented at the April 2018 general meeting	Total
Denmark			
Interim amount that cannot be distributed:			
• Delayed due to negotiations between Copydans's member organisations, UBOD and Koda.*	5,625		5,625
• Awaiting contractual clarification with music user			
Koda has yet to receive the data necessary for distribution, wholly or in part			
• Music user reporting is delayed for technical/practical reasons			
• Music user reporting is incomplete; Koda awaits supplementary reporting.			
• Remaining amount transferred, in accordance with established practice, to the next year's pool within the same distribution area - including amounts where Koda does not expect the relevant distribution basis information to be received at a later date.	2,219		2,219
Amounts not yet distributed from retransmission of TV and radio channels with uplinks abroad			
• Cannot be sent on because the affiliated society in the relevant uplink country does not license or process reporting for primary transmissions.**	885	618	1,503
From distribution areas managed by NMP/NCB			
• Funds where NMP/NCB awaits information on the distribution basis, wholly or in part	3,542		3,542
• Amounts accumulated from tracks of very low value that have not been processed.			
• Reported tracks that cannot be matched up with an ICE work or which await distribution from the distributor.	431		431
Total	12,702	618	13,320
Abroad			
Reason for delayed distribution			
• Awaiting processing of reporting	701***		701
• Awaiting work documentation			
Total	701		701
Grand total	13,403	618	14,021

* This portion, amounting to 5.200 thousand EUR, was distributed in March 2018. ** Koda does not pass on these revenues until the foreign affiliated society has received a suitable basis for distribution. If this fails to happen within three years (pursuant to the Act on Collective Rights Management) the funds are categorized as undistributable. *** In addition to this revenue from from 2017 and before, revenue received from abroad before 30 June 2017 is also delayed compared to the deadline stipulated in the Act on Collective Rights Management. This figure amounts to 327 thousand EUR.

1 The Danish Act on Collective Rights Management, section 15(2)

2 The Danish Act on Collective Rights Management, section 18(4)

Reasons for Koda's provisions

The reasons for Koda's provisions are explained and quantified below. The majority of these consist of revenues that have been processed and in principle are ready for distribution, however, they cannot be distributed due to lack of or unresolved work or rightsholder documentation. These amounts are posted to different accounts, depending on the type of documentation involved.

Table 3.10 Provisions as of 31.12.2017

in thousand EUR

Reason for provision	Provisions, Koda	Provisions, NMP/NCB	Undistributable funds - included in the proposal for use presented at the April 2018 general meeting	Total
Profits from property sale			1,718	1,718
Incomplete work information The work has not been clearly and correctly notified with Koda.	1,678	1,449	547	3,674
Incomplete rightsholder information The rightsholder cannot be identified or located, or Koda does not have their account information.	1,173	777	255	2,205
Classified as 'Undistributable funds' in 2017			17	17
Retained due to dispute between rightsholders Reserved indefinitely until the dispute is resolved.	1,614	275		1,889
Various corrections and blocked accounts E.g. regarding distributions to and from societies abroad	206			206
Returned shares Funds distributed to affiliated societies, but returned to Koda due to differences in work documentation.	1,173			1,173
Amounts blocked prior to distribution This includes distributions for matches with repertoires that are not managed by Koda. Await return to online provider.		1,290		1,290
Total	5,843	3,792	2,537	12,172

4. Koda's cultural contributions

In 2017, the Koda Board of Directors made a number of decisions regarding the distribution and administration of Koda's cultural contributions. This means that, unlike previously, all Koda members can now apply for cultural contributions, and not solely members of the four associations DJBFA, DKF, DPA and Musikforlæggerne. Moreover, a redistribution of the funds between the four associations has been adopted, so that towards 2020 the associations will gradually move to a situation, where each of the associations will allocate 20 per cent of the cultural contributions, while the last 20 per cent are placed in a shared pool.

As table 4.1 below highlights, the cultural contributions distributed in 2017 came to a total of almost 8.8 million EUR. These cultural contribution funds were accrued in 2016 and the preceding years. The distributions pertained to a range of different objectives. Details on the most important activities are provided below the table.

Table 4.1 **Distribution of Koda's cultural contributions**

in thousand EUR

Purpose	Total
Support for the production, publication and/or distribution of phonograms	2,095
Production of sheet music	70
Working grants, study grants and travel grants	1,545
Upkeep of real estate or rental of properties to be used by members	618
Concert activities (fees for musicians, technical costs, PR costs, etc.)	782
Honorary grants, awards and similar distributions (distributed without prior application)	33
Courses and similar activities	98
PR and similar activities	2,098
Legal assistance for members and resolution of leading cases within copyright law	427
Organisational work and other administration costs (maximum 20 per cent)	959
Total	8,724

In 2017, the cultural distributions were shared between Koda, Dansk Komponistforening (Danish Composers' Society), DJBFA/Komponister og Sangskrivere (Composers and Songwriters), Danske Populær Autorer (Danish Songwriters' Guild) and Musikforlæggerne (Danish Music Publishers' Association), and a shared reserve shared by all four associations as shown in Table 4.2.

Table 4.2 Distributions, as distributed by individual associations and Koda

	In thousand DKK	Percentage of total distribution
Musikforlæggerne	867	9.9
DPA	2,074	23.8
DKF	1,453	16.7
DJBFA	3,348	38.4
Shared reserve	134	1.5
Societies, total	7,876	90.3
Koda (incl. Faroe Islands and Greenland)	849	9.7
Total	8,724	100

The following provides a more detailed account of how the cultural contributions were allocated in 2017.

Koda

Koda, which also facilitates cultural contributions for Greenland and the Faroe Islands, allocated 0.8 million EUR of the total cultural contributions of 2017. Koda partly uses the cultural contributions as a means of raising awareness of Koda in general and partly through the work concerning the framework for copyright legislation. The largest single item of expenditure was legal advice in connection with a range of copyright cases, and the Board of Directors' work on restructuring and reinventing the use of the cultural contributions. Other major items include as the financing of Koda Skolekontakt and support to MXD, Rettighedsalliancen and Spil Dansk.

In Greenland, the main activity was the annual award ceremony 'Koda-prisen' – the Koda Award. On the Faroe Islands, the cultural contributions were spent on grants and other types of support for the local music scene.

DJBFA

DJBFA allocated 3.3 million EUR of Koda's cultural contributions, spending them on a range of initiatives aimed at composers and songwriters. In 2017 DJBFA pooled all these recourses to form two large reserves: the Grant Reserve (Legatpuljen) and the Production Reserve (Produktionspuljen). The Grant Reserve handed out a total of 0.8 million EUR. Four application rounds yielded a total of 889 applications, 34.5 per cent of which were rewarded by a grant. A total of 307 grants were handed out, averaging just under 2,600 EUR each. The Production Reserve handed out a total of 0.8 million EUR. Four application rounds yielded a total of 1,359 applications, 56 per cent of which were rewarded by a grant. A total of 607 grants were handed out, averaging approximately 1,300 EUR each. A total of 0.3 million EUR was spent on having a total of 312 composers spend time at one of DJBFA's nine retreats. Finally, DJBFA spent cultural contribution funds on supporting ten intensive work residencies.

DJBFA placed particular emphasis on two specific areas of cultural policymaking: 1. Music and Health, and 2. Public Service. In addition to this, DJBFA collaborated with various political, cultural and music-related festivals, such as Folkemødet on Bornholm, Spotfestivalen, Kulturmødet on Mors, Music Days, Nordic and international collaborations and similar. The total expenditure on cultural politics and copyright issues came to 0.4 million EUR.

DJBFA's administration costs came to 0.4 million EUR in 2017.

DKF

Dansk Komponistforening (Danish Composers' Society) works towards developing and strengthening the art of music. In 2017, DKF distributed a total of 1.4 million EUR of Koda's cultural contributions. Of these, 1 million EUR were spent on the creation, production and presentation of new Danish music, mainly via the association's own reserves.

In 2017, the events and activities launched by DKF included network meetings on sound art in Aarhus and Copenhagen, a development project on music drama created in co-operation with

marginalised citizens, discussions on sound in public spaces, and art salons where artists working within many different genres spoke about the creative process. Further work was also done on a collaborative scheme with Inter Arts Center Malmö concerning a residency for experimental artists.

In addition to policy-related work done through media, political meetings and negotiations, the DKF also strives to get children and young people involved in live music – as audiences and as composers. In 2017, these efforts gave rise to initiatives such as teaching materials to be used in music lessons in Danish schools, training courses for composers, mentoring courses for music school students with professional composers as mentors, and other teaching courses.

Another key focus area in 2017 was the issue of diversity in classical music; the activities within this field included an international summit. In addition to this, cultural contributions were spent on a public discussion at the popular political festival Folkemødet on Bornholm., addressing the food chain of music and the conditions currently facing professional composers in Denmark. Funds were also allocated to a public hearing in the Danish Parliament on the organisation of orchestras in Denmark and their interaction with the Danish Broadcasting Corporation, DR. In 2017, DKF spent approximately 0.2 million EUR of their allotted cultural contributions on administration.

DPA

DPA conducts political work aimed at bringing about the best possible conditions and framework for music that is aimed at the market. DPA spent 2.1 million EUR of Koda's cultural contributions. The DPA grant reserve hands out grants four times a year, and in 2017 the total value of these grants came to 1 million EUR, encompassing 583 project grants and travel grants. A total of 597 applications were rejected. The size of the grants issued ranged between DKK 1,600 (215 EUR) and DKK 60,000 (8,054 EUR). DPA's Emergency Export Reserve handed out a total of 69,000 EUR on 69 emergency export grants, each representing a value of between DKK 2,000 (269 EUR) and DKK 20,000 (2,685 EUR).

DPA hands out grants for courses, each worth up to 670 EUR or 80 per cent of the cost of the course. A total of 24 course grants were handed out. DPA entered into collaboration with MXD to offer support to managers who work diligently to promote their songwriters and their tracks abroad; a total of 27,000 EUR was distributed in this context.

DPA gave out 66 grants in the form of residencies in London and Los Angeles.

The DPA's political work aims at creating the best possible conditions for popular music aimed at the commercial market, including the export market. In 2017, these efforts included collecting and sharing information as well as collaboration with other stakeholders in Denmark and internationally. For example, DPA collaborated with the SPOT organisation, placing particular focus on international songwriters. They also worked with festivals such as Campen Aarhus Calling, the popular political festival Folkemødet on Bornholm and Kulturmødet on Mors, focusing on music

as an industry and on entrepreneurship on the music scene. DPA spent 0.2 million EUR on political efforts. In addition to this, the DPA board of directors handed out 0.3 million EUR to support the Danish music scene in general.

DPA spent 0.3 million EUR on administrating the cultural contributions.

Musikforlæggerne

Musikforlæggerne (the Danish Music Publishers' Association) allocated 0.9 million EUR out of Koda's cultural contributions. A total of 0.3 million EUR were allocated in the form of production and publication support, divided among 133 different authors associated with 28 different music publishers. A total of 22 composers and songwriters affiliated with various music publishers had their works published as sheet music, requiring a total of 62,013 EUR to support the production of sheet music. A total of 0.1 million EUR was handed out for working grants and travel grants to 21 music publishers and 38 authors. A little more than 28,188 EUR was spent on supporting concerts. A total of 15,500 EUR was spent on courses and similar. Around 4,300 EUR was used to defray the cost of legal assistance associated with a specific leading case.

A total of 0.2 million EUR was spent on PR. This included PR for physical and digital publication, participation in trade fairs and expos, as well as support for the organisations Spil Dansk Sekretariatet and Dansk Musikomsætning.

Musikforlæggerne spent 0.2 million EUR out of Koda's cultural contributions on administration.

Shared reserve

For a number of years now, the four associations closely affiliated with Koda – DJBFA, DKF, DPA and Musikforlæggerne – have worked on a series of shared initiatives funded by a shared reserve set aside from the cultural contributions before the remaining funds are distributed among Koda and the associations. In 2017, this shared reserve amounted to 0.1 million EUR. Like all work associated with cultural contributions, this collaboration is currently in a stage of transition, and for this reason the 2017 initiatives have been cautious in nature.

The two main recipients benefiting from the shared reserve were BFM, Brancheforeningen For Mediekomponister (Danish Film & Media Composers – DFMC), who received 87,000 EUR for 2017 and 2018, and Ophavsret DK, an organisation which works specifically to support copyright and which received 27,000 EUR for 2017 and 2018. In addition to this, 1,300 EUR went towards a survey examining the working conditions of game composers; 9,400 EUR was allocated to the organisation Musik og Erhverv, while around 4,500 EUR was spent on communication within the same setting. Finally, approximately 3,000 EUR were spent on financial matters and facilitating meetings, while 2,000 EUR went towards accounting and auditing services.

5. Information on refusal to license

In accordance with firmly established practice, Koda only refuses to issue a licence in three specific cases:

1. In situations where Koda deems that the performance of music cannot be regarded as public, meaning that there is no reason to license such performance.
2. In situations where the publicly performed music is not protected under copyright.
3. In situations where Koda does not have the rightsholder's permission to manage the rights pertaining to the music performed.

However, Koda may, in specific cases where a music user repeatedly fails to meet the terms of their agreement, including payment, refuse to issue a licence as long as the terms of the agreement are not honoured.

In 2017 Koda has only refused to issue licences in cases that belong to one of the three categories listed above.

6. Legal structure of Koda

Koda's legal structure and management structure

Koda is a non-profit members' society. As specified in Koda's articles of association, the main objective of Koda is to manage the rights pertaining to musical works on behalf of composers, songwriters and music publishers. Koda has a board of directors who monitor Koda's overall operation. The board of directors appoint a managing director to whom all other employees within Koda's administrative organisation refer.

Entities that are directly or indirectly, wholly or in part, owned or controlled by Koda

- Nordisk Copyright Bureau
- Network of Music Partners A/S ('NMP')
- Polaris Nordic A/S

Koda is represented on the boards of the following entities

- Copydan Arkiv
- Copydan AVU Medier
- Copydan KulturPlus
- Copydan Fællesforeningen
- Copydan Verdens TV (observer)
- GESAC
- Rettighedsalliancen
- Spil Dansk

7. Financial Statements for 2017



Koda

Financial Statements for 2017

CVR No 64 08 69 28

The Financial Statements have been translated from the original in Danish. In case of discrepancy, the Danish version shall prevail.

When translating from DKK into EUR, the exchange rate at the balance sheet date, ie 744.49, has been used for both income statement and balance sheet items.

Contents

	<u>Page</u>
Management's Statement	1
Independent Auditor's Report	2
Accounting Policies	4
Income Statement 1 January – 31 December	9
Balance Sheet at 31 December	10
Cash Flow Statement	11
Notes to the Financial Statements	12



Management's Statement

The Executive Board and the Board of Directors have today considered and adopted the Financial Statements of Koda for the financial year 1 January to 31 December 2017.

The Financial Statements are prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class A, the By-laws of Koda as well as section 23(5) of the Danish Act on Collective Management of Copyright. We consider the accounting policies applied appropriate and the estimates made reasonable. Moreover, we consider the overall financial statements presentation true and fair.

In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Society and of the results of the Society operations for 2017.

We recommend that the Financial Statements be adopted at the Ordinary General Meeting of the Society.

Copenhagen, 19 March 2018

Executive Board

Anders Lassen

Board of Directors

Niels Mosumgaard
(Chairman)

Ole Dreyer Wogensen
(Deputy Chairman)

Niels Rønsholdt
(Deputy Chairman)

Susi Hyldgaard

Frans Bak

Niels Marthinsen

Peter Littauer

Søren Winding

Bent Sørensen

Jens Visby
(Employee Representative)

The Financial Statements were presented at the Annual General Meeting of the Society,
/ 2018

Independent Auditor's Report

To the Board of Directors of Koda

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Society at 31 December 2017, and of the results of the Society's operations for the financial year 1 January - 31 December 2017 in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class A, the By-laws of Koda as well as section 23(5) of the Danish Act on Collective Management of Copyright.

We have audited the Financial Statements of Koda for the financial year 1 January - 31 December 2017, which comprise summary of significant accounting policies, income statement, balance sheet, cash flow statement and notes ("Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class A and the By-laws of Koda and which fulfil the requirements of section 23(5) of the Danish Act on Collective Management of Copyright, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the Financial Statements, Management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Independent Auditor's Report

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent Auditor's Report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 19 March 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Ulrik Ræbild
State Authorised Public Accountant
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State Authorised Public Accountant
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Accounting Policies

The Financial Statements of Koda for 2017 are prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class A and under the following accounting policies which remain unchanged from last year.

The Financial Statements for 2017 are presented in EUR thousands.

Recognition and measurement

Music revenue is recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Society, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Society, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Accounting Policies

Income Statement

Music revenue

Koda's music revenue is recognised in the income statement under the completed-contract method when music has been used before the balance sheet date, and Koda has acquired the right to the revenue on behalf of its members, and the revenue can be reliably measured.

Administrative expenses

Administrative expenses comprise expenses for staff, premises, office supplies, etc with deduction of reimbursements received. Staff expenses comprise salaries and payroll related expenses.

Depreciation and impairment losses

Depreciation and impairment losses comprise depreciation and impairment of projects and operating equipment.

Income from investments in group enterprise

The item "Income from investment in subsidiary" includes the profit/loss for the year.

Financial income and expenses

Financial income and expenses comprise return on portfolios etc and are recognised in the income statement at the amounts relating to the financial year.

Tax

Tax on profit for the year is recognised in the Financial Statements of the Society under the provisions applying to trade associations.

Balance Sheet

Receivables

Receivables are recognised at market value, usually corresponding to the invoiced amount. Other receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. The value is reduced by provisions for bad debts according to principles determined on the basis of the Society's experience from past years and of an individual assessment of each receivable.

Accounting Policies

Securities

Securities are measured at market value at the balance sheet date. Unrealised price gains/losses at the balance sheet date and realised price gains/losses from sale are included in the item "Net financial income" in the income statement.

Works database and K-lean (development project)

Development projects are recognised at Koda's share of internal and external project costs.

Development projects comprise external consultant assistance, salaries and other expenses directly and indirectly related to the development activities of the Society.

Development projects that are clearly defined and identifiable and in respect of which the utilisation in the Society can be demonstrated, and where it is the intention to use the project, are recognised as assets. This applies if sufficient certainty exists that the value in use of future earnings can cover operating expenses as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount.

Development projects are amortised systematically over their useful lives which are assessed at five years.

Operating equipment and leasehold improvements

Operating equipment and leasehold improvements are recognised at cost less accumulated depreciation and any impairment losses. Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives which are 3-5 years for operating equipment and 10 years for leasehold improvements.

Accounting Policies

Investment in associate

Investment in associate is recognised at cost. An associate with a negative net asset value is recognised at EUR 0. Any legal or constructive obligation of the Society to cover the negative balance of the enterprise is recognised as a liability.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums and subscriptions, etc.

Financial debts

Loans are measured at amortised cost which substantially corresponds to nominal value.

Cash flow statement

The cash flow statement shows the Society's cash flows for the year broken down by payments received, operating and investing activities, payments made and changes for the year in cash and cash equivalents and securities at the beginning and end of the year.

Income Statement 1 January - 31 December

	Note	2017 EUR 'ooo	2016 EUR 'ooo
Performing rights		119.959	102.339
Mechanical rights		6.861	3.845
Music revenue, abroad		11.246	9.494
Total music revenue	1	138.066	115.679
Distribution to rights holders for the year	2	-125.201	-105.391
Profit before expenses etc		12.865	10.287
Administrative expenses	3	-12.626	-11.925
Profit before depreciation, amortisation and other items		238	-1.638
Depreciation, amortisation and impairment losses		-1.043	-1.178
Profit before interest		-805	-2.816
Net financial income and expenses	4	805	2.816
Profit before tax		0	0
Tax		0	0
Net profit for the year		0	0

Balance Sheet at 31 December

Assets

	Note	2017 EUR '000	2016 EUR '000
Investment in associate, Polaris Nordic A/S		22	22
Fixed asset investments		22	22
Works database and K-lean	5	1.327	1.942
Fixtures and fittings, operating equipment and leasehold improvements	6	1.475	1.348
Property, plant, equipment and intangible assets		2.802	3.290
Receivables		889	916
Prepayments		215	148
Deposits		490	481
Other receivables		13.622	11.052
Cash at bank and in hand		12.033	5.067
Securities	7	87.969	87.438
Current assets		115.218	105.103
Assets		118.043	108.415
Capital and liabilities			
Funds for cultural contributions	8	10.742	9.455
Collective blank media funds	9	822	503
Other payables and debt	10	3.537	2.916
Provision for distribution	11	102.942	95.541
Capital and liabilities		118.043	108.415
Contingent liabilities	12		

Cash Flow Statement

	<u>2017</u>	<u>2016</u>
	EUR '000	EUR '000
Music revenue received, Denmark		
Music revenue for the year (performing rights and mechanical rights)	126.820	106.185
Change in trade receivables	26	-136
Change in other receivables	-2.584	-5.215
	<u>124.262</u>	<u>100.833</u>
Music revenue received, abroad		
Music revenue for the year, abroad	11.246	9.494
	<u>11.246</u>	<u>9.494</u>
Operating expenses		
Administrative expenses for the year	-12.626	-11.925
Change in payables	625	-829
Change in prepayments	-67	98
	<u>-12.068</u>	<u>-12.655</u>
Financial expenses		
Interest expenses for the year	805	2.816
Change in accrued interest	0	3
Change in deposits	-10	-9
	<u>795</u>	<u>2.809</u>
Investments		
Development projects and operating equipment	-561	-117
	<u>-561</u>	<u>-117</u>
Funds for cultural contributions and collective blank media funds		
Funds for cultural contributions and collective blank media funds for the year	-11.001	-9.029
Change in funds for cultural contributions and collective blank media funds	1.620	-351
	<u>-9.382</u>	<u>-9.380</u>
Individual contributions		
Individual contributions for the year	-114.200	-96.362
Change in individual contributions	7.405	5.289
	<u>-106.795</u>	<u>-91.073</u>
Change in cash and cash equivalents for the year	7.497	-89
Securities and cash and cash equivalents, beginning of year	92.505	92.594
Securities and cash and cash equivalents, end of year	<u>100.002</u>	<u>92.505</u>



Notes to the Financial Statements

	2017	2016
	EUR 'ooo	EUR 'ooo
1 Music revenue		
Primary transmission on radio and TV and retransmission	65.833	59.823
KulturPlus	1.713	588
Internet and On Demand	31.027	18.739
Cinemas and films	1.730	1.719
Hotels and restaurants	7.279	6.870
Background music	6.818	6.482
Concerts, events, etc	12.562	11.831
Adjustment of provision for bad debts	-142	132
Abroad	11.246	9.494
	138.066	115.679
2 Distribution to rights holders for the year		
Distribution to rights holders for the year is allocated as follows:		
Funds for cultural contributions	10.429	1.577
Provision for distribution for the year	114.772	96.562
Distribution to rights holders	125.201	98.139
Calculation of funds for cultural contributions		
Profit according to the income statement	125.201	105.391
Net public performance rights, abroad	-11.217	-9.399
Net KulturPlus	-1.685	-578
Net mechanical rights	-6.354	-3.638
Online public performance, already provided	-7.451	-7.985
	98.494	83.791
Funds for cultural contributions, 10% provided	9.849	1.127
Online public performance, provided	580	450
Calculated funds for cultural contributions for the year	10.429	1.577



Notes to the Financial Statements

	2017	2016
	EUR '000	EUR '000
3 Administrative expenses		
Staff expenses	-9.885	-8.666
Refunded administrative expenses	1.058	304
Fees	-867	-595
Commission	-1.471	-1.499
Marketing and PR	-690	-987
Travelling, meetings and entertainment	-394	-343
Rental income	149	145
Rental expenses	-1.107	-1.000
Property expenses	-331	-276
Office supplies	-410	-459
IT expenses	-616	-512
Membership fees etc	202	215
Refund of administrative expenses	1.736	1.748
	-12.626	-11.925
Remuneration to the Executive Board and the Board of Directors	410	535
4 Net financial income		
Return on portfolio	670	2.690
Bank and giro accounts	-51	-60
Receivables etc	186	186
	805	2.816



Notes to the Financial Statements

	2017	2016
5 Works database and K-lean		
Cost at 1 January	2.965	2.878
Additions	0	87
Transferred to completed development projects	0	0
Cost at 31 December	2.965	2.965
Amortisation and impairment losses at 1 January	-1.023	-415
Amortisation for the year	-615	-608
Amortisation and impairment losses at 31 December	-1.638	-1.023
Carrying amount at 31 December	1.327	1.942

6 Fixtures and fittings, operating equipment and leasehold improvements

	Fixtures and fittings DKK '000	IT equipment DKK '000	IT software DKK '000	Leasehold improvements DKK '000	Total DKK '000
Cost at 1 January 2017	534	1.577	135	1.309	3.555
Additions for the year	0	149	412	0	561
Disposals for the year	0	0	0	0	0
Cost at 31 December 2017	534	1.726	547	1.309	4.116
Depreciation, amortisation and impairment at 1 January 2017	-354	-1.352	-135	-372	-2.213
Impairment losses for the year	0	0	0	0	0
Depreciation and amortisation for the year	-91	-177	-28	-131	-428
Depreciation, amortisation and impairment at 31 December 2017	-445	-1.530	-163	-503	-2.641
Carrying amount at 31 December 2017	89	196	384	806	1.475

7 Securities

The portfolio comprises bonds, corporate bonds and investment fund certificates in distributing investment funds where the underlying portfolios comprise bonds.



Notes to the Financial Statements

	2017	2016
	EUR '000	EUR '000
8 Funds for cultural contributions		
Funds for cultural contributions for the year	10.429	8.829
Funds for cultural contributions, transferred from previous years	313	626
	10.742	9.455
9 Collective blank media funds		
Collective blank media funds for the year	572	200
Collective blank media funds, transferred from previous years	250	303
	822	503
10 Payables and other debt		
Koda-Dramatik	121	121
Polaris Nordic A/S	97	112
Accrued expenses	1.638	1.369
Accrued holiday pay	1.323	856
Accrued A-tax, labour market contributions and ATP	13	13
Prepayments	345	445
	3.537	2.916
11 Provision for distribution		
For distribution, beginning of year	95.541	90.260
Provision for distribution for the year	114.772	96.362
Distribution for the year	-107.371	-91.082
	102.942	95.541
Music revenue to the Executive Board and the Board of Directors of Koda	410	31



Notes to the Financial Statements

12 Contingent liabilities

Rental obligation:

The Society has entered into a rental obligation which is non-cancellable until 1 March 2024. The obligation amounts to EUR 6,483k at 31 December 2017 and part of the lease has been sub-leased on non-cancellable leases totalling EUR 759k.

Lease obligation:

At 31 December 2017, the obligation amounts to EUR 15k.

Polaris Nordic A/S

Together with Tono, Norway, and Teosto, Finland, Koda participates in the jointly owned company Polaris Nordic A/S that has entered into an operating agreement with ICE which is non-cancellable until 2020. At 31 December 2017, the future estimated expense for Koda in the contract period amounts to EUR 1,526k.