



Annual Report **2015**

koda[®]

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New realities – new insight

Koda has had yet another record year. How did this happen in a time of major challenges on the global and local markets alike?

First of all, the results have been achieved thanks to the strong alignment between the management, employees and the political strategic work done in the board of directors. The joint work done by these stakeholders has been carried out with a keenly honed awareness of where the main challenges of the market reside, and where opportunities can be found.

Two revenue flows are converging at Koda these years. The analogue flow from live concerts and broadcasts, which remains vibrant and well-functioning, and the digital flow, where revenues are going up – but far too great a proportion of that revenue is, sadly, funnelled away from the rightsholders.

It might seem easy to point accusingly at the plethora of legal services around, stating that they refuse to pay for their goods, that this makes music too cheap and causes it to depreciate in value in the consumers' eyes. However, it would be more accurate to say that there are many different digital services around, and that they operate on unequal, not to say unfair conditions.

On the one hand we have the established music streaming services. They work like proper businessmen, wanting to sell the music, but they have to fight on two fronts.



“ Two revenue flows are converging at Koda these years.

Niels Mosumgaard
Chairman of the board

Firstly, they must constitute an attractive alternative to illegal services, and in several cases this means that they must include a free service as part of their offering. We are none too pleased about this, but there can be no doubt that free offerings have been instrumental in shifting consumers away from pirate services and onto legal streaming. In future, emphasis should be placed on shifting users away from using the free part of such services towards paid subscriptions.

Secondly, the established music streaming services are also pitted against the vast global entities who, under cover of outmoded EU legislation, make vast sums from making user-uploaded content available without having any obligation to pay rightsholders any royalties.

This is not acceptable: in the new distribution networks formed in our present-day digital world, this is where much of the money that ought to go to rightsholders disappears. In 2015 we at Koda continued to fight a hard battle in order to make politicians realise that action is required. Quite simply, they must adjust the legislation so that vast global social networks can no longer swipe all the money away under the very noses of those who create the content.

Quite naturally, our activities in 2015 were affected by the fact that the European Parliament in Brussels adopted a new directive on collective management of copyright. Koda has actively participated in the dialogue and discussions with politicians throughout the years leading up to this new directive, and as such its contents were not surprising to us. In conjunction with ECSA (the European composer alliance) and GESAC (the European association of authors' societies), Koda managed to get two crucial items included in the new directive. Firstly, the possibility to continue the exclusive grant of rights from the membership, which means that members of Koda give Koda the right to carry out negotiations for their works, which again means that the entire member community holds a stronger joint position. Secondly, the directive upholds the possibility for mutual agreements on deductions for cultural contributions originally created by collective rights management organisations in our

global organisation CISAC, the International Confederation of Societies of Authors and Composers.

However, some reservations apply to the stipulations on exclusive membership: the new directive makes it possible to withdraw specific rights categories for individual management or management by other societies. This is because the directive is permeated by the notion of encouraging competition between different societies. Of course we entirely agree with this fundamental principle: our members should have the opportunity to have their rights managed where they believe they will be managed best. This is also why Koda has worked so diligently to be competitive in terms of transparency, low administration cost and having the best agreements in the world in our local market.

The directive was adopted in February of 2014 and will be implemented in April 2016. This timeframe has given us the time required to discuss various issues with each other, drafting a proposal for articles of association that we on the board of directors believe would form an excellent foundation for Koda. It has also given us the opportunity to discuss matters with the Danish Ministry of Culture. However, the general election in Denmark in the summer of 2015 put a temporary halt to these discussions. Up until this point we had felt well ahead of schedule, confident that all issues could be addressed in time for spring 2016, but at this point things came to a standstill, prompting some uncertainty. The legislative proposal was not made until December 2015, and even though the contents of this proposal was in many ways in keeping with our expectations, its final content depended on its further processing. We had to wait for the proposal to be fully processed before we could embark on implementing the new regulations and on ensuring member involvement, which is of course a crucial aspect of Koda as a democratic organisation.

We believe that certain things are particularly important for the organisation of Koda and the cultural scene of which Koda is part. One is that the four member organisations – the Danish Composers' Society (DKF), the Danish Songwriters' Guild (DPA), DJBFA - Composers

and Songwriters and the Danish Music Publishers' Association (DMFF) – must retain influence on the board of the directors; the legislative proposal made this possible. As long as a majority on the board of directors are elected directly at the annual general assembly, the four chairpersons can be appointed through democratic processes within the member organisations. This model will ensure stability and continuity in the board's work, and will ensure that a full range of rightsholders will be represented, from commercial music to niche art music. Secondly, we believe that the member organisations should still manage the cultural contributions: they hold the administrative expertise and have the active backing within their respective fields to ensure that funds and initiatives reflect the real needs of Koda's large membership.

Koda is no longer alone in the market; indeed we have not been alone for many years. We are part of a global reality, and we need to remain closely connected to the world around us – in every sense. This means that our work on forging and maintaining alliances remains crucial. We collaborate with other Nordic countries in Polaris, we are part of the northern European ICE database system, we are active within GESAC, ECSA, ICMP and CIAM, and we have board members in all the relevant major organisations.

The task we are now facing – a task that will shape our work in the years to come – is to unite the global and the local. We must be able to handle and be attractive to large foreign repertoires, and at the same time we must be part of our local creative music scene. The Danish-speaking region is a small market, but as far as music and politics are concerned, it has a loud and clear voice in the wider world.

I should like to thank all Koda employees, management, and board members for a hectic, but productive year.



Niels Mosumgaard
Chairman of the Board



Koda's Board of Directors.

From the left: Bent Sørensen - DKF, Maj-Britt Kramer - DJBFA, Jens Visby (employee representative), Jacob Morild - DPA, Ole Dreyer Wogensen - DMFF, Niels Mosumgaard - DPA, Peter Littauer - DMFF, Susi Hyldgaard - DJBFA, Niels Marthinsen - DKF og Tine Birger Christensen - DMFF.

Changes

A well-worn, but still relevant cliché states that when the wind of change blows, some people build walls while others build windmills. At Koda we believe in doing both: we must shelter our rightholders from the negative impacts of change, but while doing so we should not forget to use new opportunities for generating revenue.

Koda is currently seeing the greatest changes that have ever taken place within our field throughout our nine decades in existence. Digital technology, globalisation and individualisation are changing the conditions under which we operate, but they also pave the way for new opportunities. For Koda and for our 43,000+ members as well as all the other rightholders we represent.

The digital evolution has shaken the entire music industry to the core. As a result, many music publishers, authors and record companies no longer generate the income they once did. But digital technology has also created a range of new sources of revenue for Koda, for example within streaming and, importantly, new digital TV services. This year, we reached a new record high in terms of the revenues generated for rightholders: 115 million EUR. A result which corresponds to a 41 per cent increase compared to five years ago. This is huge growth, and it has been obtained in a market that many have described as being in a slump.

I am very aware that many rightholders will not feel that they are in a growing market – quite the opposite. Many rightholders are facing hard times these years. That is why we are doing everything we can to increase revenues within as many fields as possible, and we can all take comfort from the fact that those efforts have been successful. Globalisation affects Koda, too, and this will only become increasingly true in the years to come. We are part of the wider world, and we now have less firm control of our own destiny than we used to have. This is apparent in the tariffs we are able to set, in the IT systems we are part of, and in the framework that politicians set for copyright issues now and in future.

If we want to be in on the action when decisions are made and help shape those decisions, we must be prepared to engage much more with the wider world. In 2015 we devoted a great deal of effort to visiting our elected representatives in Brussels in order to explain to them the importance of the decisions they make in terms of copy-



“ At Koda, our task in 2016 will remain the same as it has been for ninety years.

Anders Lassen - Managing Director

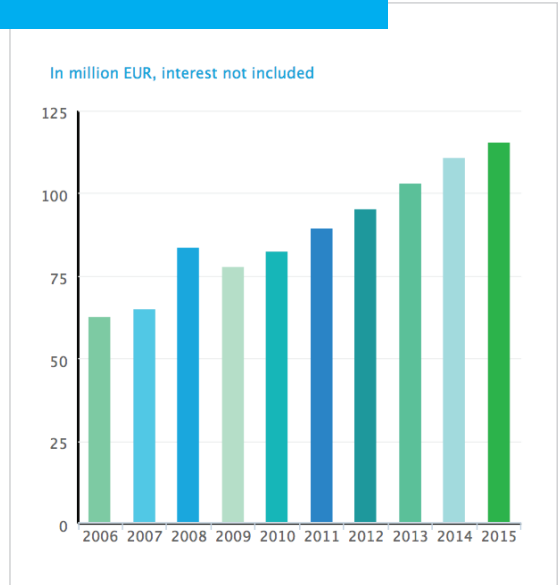
right and other conditions that govern the creative sector. We have also extended the scope of our collaboration with TONO in Norway and Teosto in Finland, recognising that each of us are only small players on our own, but when we stand united our voice and impact are much stronger.

The third main trend behind the current changes is individualisation. This is evident among consumers, who no longer buy as many albums or downloads as they used to, but now prefer the flexibility that comes with streaming music and TV content. It is also evident among our own members, who increasingly want to be able to negotiate and manage their content themselves. Within certain areas, large rightsholders have already withdrawn a substantial part of their repertoire from Koda, and the new laws on collective rights management will make this option available to more. In the years to come, the main challenge will be to strike a balance between having more opportunities available to individuals while also leveraging strong basis for negotiation that the collective system has given Koda over the years.

During this last year we have put particular emphasis on three main areas: building and expanding our Nordic collaboration, thereby achieving great savings over time; increasing turnover within our core areas; and ensuring that more money is generated from abroad for those rightsholders who have international potential.

Our Nordic collaboration initiatives were put to the test last year when the ICE project went operational in October. Koda's works database, containing more than 15 million works, transitioned from the now-obsolete NordDoc system to the new international ICE database. Prior to this final launch, the project had been underway for three years and required 66,000 man hours, the vast majority of which have been supplied by Koda employees. Tensions ran high when we pulled the plug on the old database on 13 October. Would the new one work OK? After all, one so often sees how large-scale IT projects are delayed, go over budget and underperform, but in this case all went well. Thanks to the tremendous effort made by everyone involved in the project, the transition went as planned: we kept within schedule and budget, and the process caused only minor inconvenience to members. For many years to come, ICE will bring us savings, but it will also ensure better and more accurate distributions.

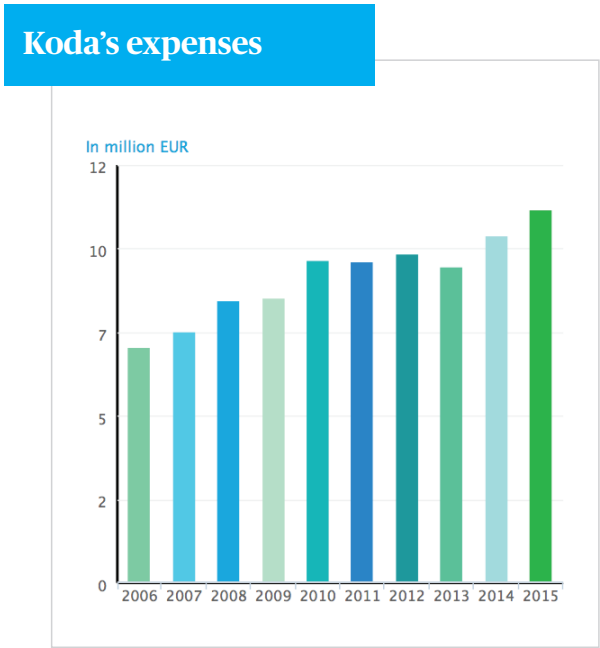
Koda's total income



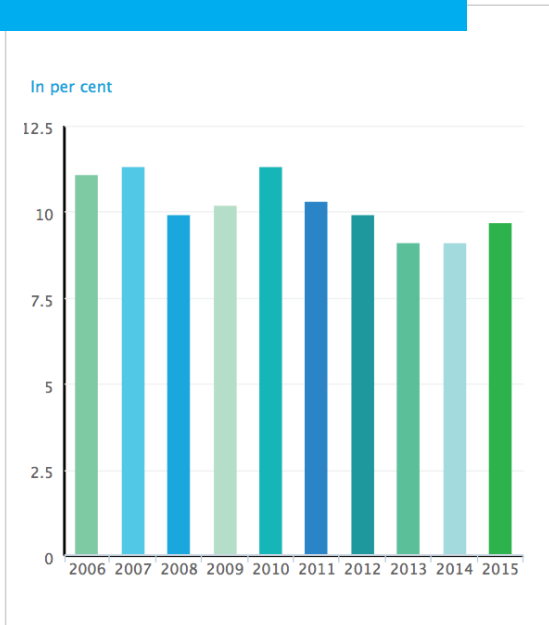
In the midst of these discussions about the challenges of the digital world we must not forget Koda's core area: the music played at concerts, in hotels and restaurants and other public places. We have recently focused on increasing our revenues from these sources, and our efforts have proven successful: in just two years our revenues within this field have gone up by more than 1.5 million EUR. It is no secret that many of our customers have difficulties understanding why they have to pay money to Koda when they have already paid good money for the CD. Continuing to communicate the positive story about Koda remains a priority; we must emphasise how the money that hair salons and pizza parlours pay to Koda helps ensure that composers earn a living wage, and this is necessary in order for new music to be made. In 2016 we will redouble our efforts to clearly convey this message.

The year 2015 saw rapid developments on the TV market. Many consumers are not satisfied with the current package deals – and many think that the prices have gone up too far. The TV distribution market is an important source of revenue for Koda, and its success helps ensure that good music will still be made for the many popular Danish films and series. As yet, consumers have mostly switched to smaller package deals instead of giving up their TV subscriptions entirely. However, this state of affairs is unlikely to continue for long. We must expect a continued movement away from large cable TV package deals to smaller selections, and the number of TV channels available on the Danish market is also likely to dwindle. Over time, such developments will erode Koda's revenues from this source. Of course we are fighting to ensure that those who make money from selling products that incorporate music still pay a fair share of their income to the authors, but when all is said and done we cannot affect changes in consumer behaviour.

In 2015 we greatly increased the scope of generating income from foreign activities. When music by Danish artists is used abroad the money is a long way coming, and several members have been unsure of whether they received their rightful payment when their music was used in e.g. TV series or online abroad. Now, we make several visits to other collective rights management societies abroad every year, targeting the countries where Danish music is most frequently used. On those visits we carefully scrutinise their processes and distributions, and these efforts have already yielded results.



Koda's administration costs



Generating income is one thing – getting it out to its rightful owners is another. Back in the old days Koda only made one distribution a year, but in recent years we have taken decisive steps to get the money quickly through the system. We now carry out distributions four times a year, which places us among the top societies in the world in terms of annual distribution frequency.

Koda would be worth nothing without its members – authors and music publishers alike. Recognising this, we have put great effort into improving our member service, whether conducted in person, over the phone or digitally. Things have improved, but there is still room for further improvement. In the years to come we will spend considerable time and effort on our IT solutions. Getting in touch with Koda digitally must be easy for members and customers alike, and there are many different stakeholders with different needs. For example, music publishers have special business needs that we must become better at accommodating. In 2016 all our systems will undergo a much-needed facelift, and we will develop new mobile services.

At Koda, our task in 2016 will remain the same as it has been for ninety years: to ensure fair payment for those who created the music, and to make it easy for users to access music from across the world. This is quite a challenge in an era where music is increasingly consumed via digital channels. Not least because the EU has unfortunate and outmoded legislation that enables platform services such as YouTube, Google, Facebook and Soundcloud to make billions from users sharing content that they do not pay for. That content is created by rightsholders such as our members as well as the other rightsholders we represent, and while established music streaming services return much of their turnover to the creators, platform services simply benefit from the traffic generated by such content without paying for it. Thus, one of the major tasks ahead in 2016 is to continue our work on persuading legislators that they must address this unfair imbalance. For it is important to remember to build windmills, too...

Anders Lassen
Managing Director

53 million euro to recipients abroad

Koda's record-breaking results once again ensure that large distributions are made to rightsholders and their collective rights management societies abroad. In 2015, 61% of Koda's total distributions went to recipients abroad. The primary recipients are rightsholders with STIM (Sweden) and PRS for Music (UK).

Music consumption continues to be on the rise in Denmark, and international acts usually attract a lot of airplay on Danish radio and are frequently played via streaming services used on Danish soil.

At the same time, Koda's revenues continue to grow. As a result, Koda's total distributions to other collective rights management societies in 2015 came to a total of 53 million euro.

This means that 61% of Koda's total distributions go to recipients abroad.

The total amount paid out has gone up by 40% since 2010.

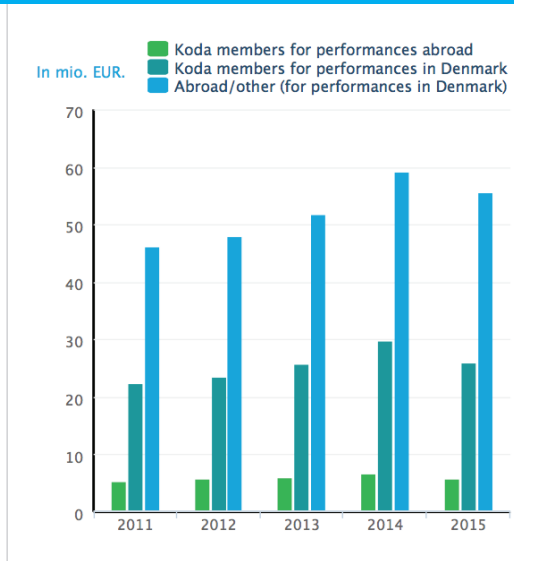
The increase in distributions is a result of Koda's continued financial growth and of the fact that the organisation maintains one of the very lowest administration cost rates in the world (9.7% in 2015).

At the same time Koda enjoys a solid position on its domestic market, which is characterised by having very efficient and comprehensive agreements in place.

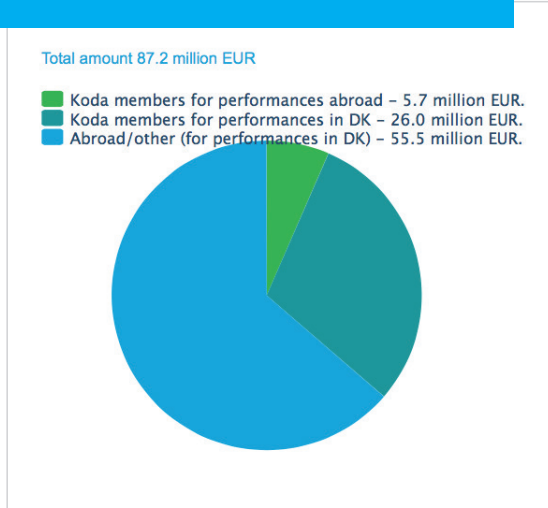


Koda has an agreement with 82 collective rights management societies, covering 182 countries and territories. The green areas on the map illustrates the areas that Koda has agreements with.

Distributions from Koda without NCB 2011-2015



Distribution from Koda 2015: Koda members and others



STIM takes the lead

Once again, the Swedish society STIM receives the largest single portion of the distributions sent abroad: 40% go to STIM. However, it should be noted that much of that money will continue its journey out into the world: many multinational music publishers use STIM to handle their repertoire in the Nordic countries.

The second-largest distribution went to PRS for Music (UK), which received 22% of the total distributions to recipients abroad in 2015.

Next in line on the list of largest recipients of Koda distributions are ASCAP (USA), BMI (USA) and GEMA (Germany).

Top 20: Distributed to and received from other societies

Society	Distribution		Received	
	2015 (EUR 1,000)	+/-2014 (%)	2015 (EUR 1,000)	+/-2014 (%)
STIM	21,276	-6%	1,124	-6%
PRS	11,699	-18%	656	8%
ASCAP	5,809	-12%	308	40%
BMI	5,587	-7%	233	-14%
GEMA	2,591	-2%	395	-64%
APRA	1,297	-23%	104	25%
SACEM	1,364	-16%	358	6%
TONO	914	-15%	1,017	58%
SOCAN	780	4%	130	74%
SESAC	392	-4%	245	N/A
SIAE	273	-14%	273	9%
BUMA	235	-19%	181	-14%
AKM	168	-24%	117	8%
IMRO	161	-24%	13	-16%
SGAE	132	-8%	75	-15%
TEOSTO	115	-5%	1,064	4%
SUISA	95	-3%	193	-13%
SABAM	85	23%	138	-30%
STEF	64	41%	0	N/A
MCPS	56	-3%	0	N/A
Other	377	-24%	795	19%
Total	53,470	-10%	7,176	-2%

Online giants exploit loophole in EU directive

Every year, music creators lose out on huge sums due to EU regulations. Koda fights to ensure fair payment.

Several of the world's largest online services obtain a large part of their billion-euro revenues thanks to cultural content.

But they return nothing or an infinitely small fraction of that turnover to rightsholders.

This is the paradoxical state of affairs today, and Koda's members and the other rightsholders we represent are among those who suffer. Every year, songwriters and composers miss out on huge amounts because online giants such as YouTube and Facebook can exploit a convenient loophole in EU legislation.

The issue concerns an old EU directive from 2001 that includes a so-called "safe harbour" exemption. The original idea was to release web hotels from any liability for what their users might upload in terms of illegal materials. However, that EU directive has turned out to become a lucrative shelter for Internet services who make billions on the huge flow of cultural works shared by users.

Cultural content is a click magnet

Anders Lassen, managing director of Koda, describes the situation as untenable.

"When hair salons and clothes shops pay for using music, they do so because music helps create a pleasant atmosphere on their premises, thereby adding value. The same thing holds true for huge online services such as YouTube, Facebook, SoundCloud and Twitter. Cultural content such as music is hugely popular on these services, bringing massive turnovers. This means that it is only reasonable to insist that such services must also enter into fair agreements with us," says Anders Lassen.

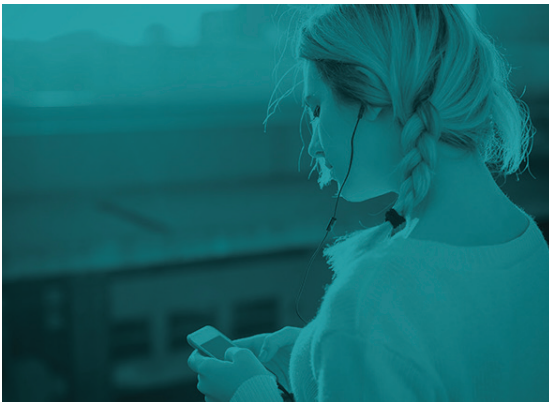
However, Koda's current revenue from YouTube corresponds to less than one thousandth of the organisation's total turnover. Figures from the Danish branch of IFPI (International Federation of the Phonographic Industry) states that in 2015

the record industry only received 2.4 million EUR from “YouTube and similar platforms” – whereas subscription services such as Spotify, Apple Music, Deezer and Tidal contributed 41 million EUR.

“This is unsatisfactory given the huge impact and popularity of YouTube. Our own studies show that YouTube is the most popular music service among Danish consumers. This clearly indicates the necessity to adjust the “safe harbour” regulations to curtail inexpedient use of that rule. This does not require extensive legal preparations, nor will it open up a Pandora’s box. For we are in no way opposed to those parts of the safe harbour principles that ensure that enterprises – such as web hotels – are not liable for what others put on their servers. We don’t want to police the Internet. This is a purely financial issue: you always ought to pay rightsholders if you generate value from the materials shared,” says the managing director of Koda.

A 62% share in the success

He is able to document quite clearly that cultural content is absolutely crucial to the billion-euro turnovers generated by online giants: a new study conducted for the international umbrella organisation GESAC shows that no less than 62% of the online platform services’ total turnover comes directly or indirectly from cultural content.



“In 2014, the online platform services in our spotlight had a turnover of 22 billion euro in Europe alone. With turnovers of that magnitude, these services are surely able to return a substantial amount to those who created the content that essentially acts as the driving force behind services such as YouTube and Facebook,” says Anders Lassen and continues:

“The evolution of digital technologies has prompted huge changes to the flows of revenues generated by music, and more money is floating around that system than ever before. The problem is that the money is currently accumulating at one end only. If we do not balance out this shift in value, we starve out parts of the food chain.

As things are now, the rightsholders are hit unreasonably hard,” says Anders Lassen, who is in no way opposed to social media and services with user-generated content in general; in fact he is an enthusiastic user himself.

Quid pro quo

“I like Facebook. I’ve been on Facebook since 2008 and think it’s a hugely inspiring medium. I also think that YouTube is a brilliant invention, and that Google does a lot of good. This is not about being contrary or wanting to sabotage global successes. Rather, we try to convince the huge online services that distributing some of the money they make to the people who create content for their services is in their own best interest. Doing so can help ensure that skilled, qualified music can still be made in future, which in turn means that users will continue to have exciting and interesting things to share on YouTube and Facebook.”

“But the way things are now, consumers can get content straight from YouTube and others without paying. This is very distorting to competition and puts great pressure on large subscription services such as Spotify and Netflix. These services, which so many people are perfectly willing to pay for, pay out seventy per cent of their income to rightsholders, and that level seems about right. Having said that, one can always discuss whether Koda receives a fair share of that money, and we are constantly engaging those services in dialogue and negotiation on this issue,” says Anders Lassen.

He is pleased to see that Koda has many allies and enjoys great momentum in the struggle to have the EU directive adjusted.

“We are part of a large international coalition of organisations that represent composers, songwriters, visual artists, photographers, journalists, music publishers and record companies. We at Koda have actually opened quite a few doors in Brussels and in the Danish parliament. We are seeing a great deal of sympathy for the issue among politicians from both sides of the political spectrum. This in itself does not ensure that the directive will be changed, but so far we have been very favourably received,” says managing director of Koda, Anders Lassen.

Fierce battle of opinions

Even if the efforts to convince EU politicians that the widely criticised directive needs adjustment are successful, Jakob Hüttel, Koda’s director of legal and international, does not believe that a change is “just around the corner”.

“This issue is part of the European Commission’s current copyright reform. Actually, the work on that reform was originally based on the assumption that copyright is a barrier to growth, and that this barrier needed removing so that Europe wouldn’t lag behind the USA. However, we and our allies have successfully turned that discourse around by maintaining a concerted counter-campaign. We emphasise how copyright is not a barrier, but a precondition of growth, for example because it safeguards the booming creative industry, which generates plenty of jobs. According to a report by EY (formerly Ernst & Young, ed.), this industry is now the third-largest in Europe when measured in terms of jobs; in fact, cultural and creative industries account for seven million jobs today. Right now this reform work is still ongoing, and as yet no specific proposals about the safe harbour regulations have been put forth. We are also facing massive opposition from lobbyists working on behalf of the large digital platform services, who will face significant changes to how they do business if this unfair loophole is removed. But I think the time is ripe for a paradigm shift. In recent years, collective rights management societies have constantly had to handle and relate to the new rules ushered in by our digital age. Hopefully, the online giants must also adjust their business practices as these entirely unfair regulations are changed in the years to come,” says Jakob Hüttel.

“ Cultural content such as music is hugely popular on these services, bringing massive turnovers. This means that it is only reasonable to insist that such services must also enter into fair agreements with us.

**Gorm Arildsen
Managing Director**

Koda is strengthened by international alliances



The three Nordic collective rights management organisations Koda, Teosto and Tono are behind Polaris Nordic.

Koda has a clear strategy: Nordic co-operation and an international outlook. Composers, songwriters and music publishers alike reap great benefits by being attached to the groundbreaking works database ICE.

An efficient, fully functional works database is the very heart of a collective rights management society. It ensures correct distributions to composers, songwriter and music publishers and is crucial important to the organisation's operations, so naturally tensions ran high in Koda on 12 October 2015 when a major changeover was carried out: the old system was abandoned, and Koda was linked up to the transnational works database ICE.

The switch was preceded by 66,000 man-hours spent under the auspices of Polaris Nordic, the successful Nordic collaboration between Koda and two other collective rights management societies: TONO in Norway and Teosto in Finland.

High-quality repertoire data

Fortunately, the deputy managing director of Koda, Gorm Arildsen, could safely rejoice in a smooth transition.

"Koda is increasingly facing international competition within the field of collective rights management, and it is crucially important for us to maintain the highest possible repertoire documentation quality. ICE ensures correct and speedy distributions, and by joining ICE we no longer stand alone in shouldering the cost of maintaining a works database. This means that our expenditure on database

maintenance will drop significantly in the years to come. Soon, a wide range of collective rights management societies will use ICE to handle their data, including societies in Denmark, Norway, Sweden, Finland, The Netherlands, the UK, Germany and Belgium,” says deputy managing director of Koda, Gorm Arildsen.

He points to the Nordic collaborative set-up Polaris and the ICE project as model examples that illustrate Koda’s strategy of emphasising an international outlook and cross-border collaboration.

“If we stand alone, we vanish in Europe. But together with TONO and Teosto we will rank among the largest collective rights management societies in Europe,” points out Gorm Arildsen.

Eliminating doubts

Transitioning to ICE represents a significant technological step ahead for Koda, and according to Anders Lassen, managing director of Koda, the investment was necessary.

“With ICE we hope to reduce the number of costly and time-consuming cases of doubt surrounding the ownership of a given work – and the question of who owns what in which territories. ICE is the future: it gives us authoritative answers across a range of different territories. The database will eliminate the need for a range of manual processes and conflicts where different parties lay claim to owning a given music work. Why spend money on resolving such issues manually if you have a system that will give you the answer right away? The ICE scheme is also likely to incorporate even more countries in future, and hopefully the net result will be that Koda has access to one of the most authoritative works databases in the world. This is hugely beneficial to all rightsholders, for when a piece of music is featured in a major database like ICE, that work will be instantly matched – by the societies who are linked up to ICE and by those who draw on ICE in order to track titles. This allows Koda to handle distributions with great accuracy and efficiency. In fact, we already sped up our distribution rates in 2014 so that we now carry out distributions for all main areas every three months,” explains Anders Lassen.

Growing satisfaction

Koda actually has fewer employees today than back when Anders Lassen first took over the managing director’s chair in 2010, but at that same time Koda processes ever-growing volumes and distribute far more money.



Koda was linked to the international work database ICE in 2015.

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Gorm Arildsen
Deputy Managing Director

“Our revenues reached yet another record high in 2015, and our administration rate of 9.7 per cent is among the very lowest in the world compared to other collective rights management societies. In several other countries that rate is actually a lot higher than 20 %. According to a CISAC report, Koda’s revenue per capita rates are also among the best in the world, and our surveys show that our members are very satisfied with our performance. In 2016 we will place particular emphasis on improving our service to music publishers even more. I am pleased to see that the Nordic collaboration scheme Polaris has been so successful. This helps increase Koda’s significance and impact on the international scene, and sharing costs among three societies rather than just one obviously brings us all savings. We have nurtured increasingly close co-operation with our Finnish and Norwegian colleagues, and we are very comfortable in each other’s company. In light of this we expect to expand our collaboration with new services that will give the rightsholders a more detailed overview over the distributions received – and the distributions they will receive in future. It is also possible that Polaris may in time encompass more societies than its current three. However, we would have little in common with societies that are very much larger or smaller than ours – or which insist on sticking to their own routines and approaches,” says managing director Anders Lassen.

One voice added to a large choir

Koda’s ceaseless struggle to protect copyright is another example of the organisation’s international outlook.

“We spend time and resources on this field, but we also find that our efforts yield huge dividends. Of course we could simply lean back and say that ‘we’re too small an organisation for this – let’s leave this to the others.’ But we have found that being very active in GESAC and launching our own lobby initiatives in Brussels actually makes a difference. GESAC has become a strong organisation, representing approximately one million rightsholders, and this gives the creative industry a shared voice that gets heard. Alliances are necessary, and the things that happen out in the wider world are becoming ever more important to Koda’s business. International events increasingly dictate the conditions under which we act,” states Anders Lassen, managing director of Koda.

Koda focuses on foreign collection

A new special unit in Koda visits five or six countries each year in order to drum up more revenue for members, songwriters, composers and music publishers alike.

Even though 2015 was not a year with many international hits by Danish artists, Koda nevertheless achieved excellent results within the field of revenue generated abroad.

In 2015, Koda generated almost 7.2 million EUR for Koda's members whose music was played abroad. And more members than ever got a share in the distributions thanks to Koda's intensified efforts.

In 2015, distributions were made for far more works than in 2014 – the number of works is up by 25%.

From 2010 onwards, Koda has generated steadily increasing revenues from abroad, corresponding to a 20% increase within the field, and Koda has listened attentively to the many songwriters, composers and music publishers who have requested even greater emphasis on this area. As a result, a specialist Koda unit for this task was set up in June 2015.

Detective work

Claus Lund Pedersen heads the foreign collection team at Koda.

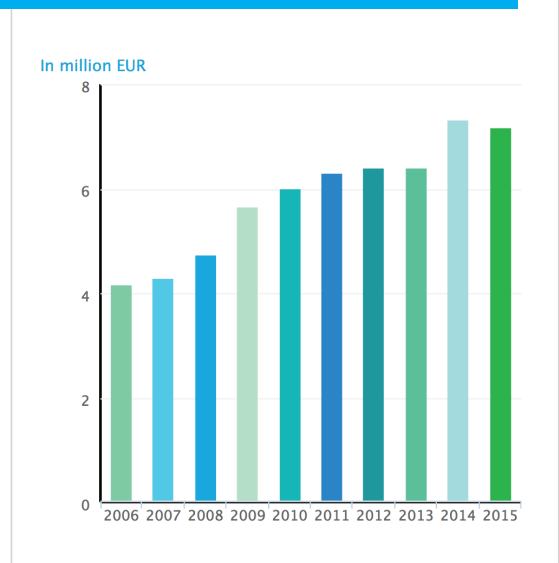
He has extensive knowledge of the business from previous positions, including positions at Music Week in London and as Exploitation Manager and A&R director at Universal Music. He can now bring all that experience to bear on a job that is often reminiscent of detective work.

"We're like a mixture of Sherlock Holmes and travellers in documentation," says Claus Lund Pedersen from the foreign collection team, which aims to visit five to six collective rights management societies each year.

"We visit those societies where we receive revenues of one million DKK (134,048 EUR) or more. This ensures that we focus on the territories with the greatest potential for generating revenue. Approximately twenty countries are particularly relevant to us in this regard," says Claus Lund Pedersen.

When the foreign collection team visits collective rights management societies abroad, they are often told that Koda is among the very few collective rights management societies who are proactive in this field.

Total revenue from abroad



Warm welcome

“Of course, I am very pleased to hear that, for it shows how committed we are and how keen we are to protect the works created by our rightsholders. As yet, none of the societies we have wanted to visit have refused us. Our questions are answered – including the probing and critical ones. It is hugely important that we are well prepared for our visits so that we can inquire more deeply into details that we feel are contradictory or unclear. We are greatly looking forward to spending this year – and the years to come – visiting more of the largest collective rights management societies in the world. We often find that these meetings prompt a mutual exchange of best practices, and we always aim for a constructive exchange that can also benefit the societies we visit,” says Claus Lund Pedersen.

Koda invests in foreign revenue by purchasing data from digital suppliers who keep records of radio performances, etc. This allows the foreign collection team to compare the actual distributions with the performance data, and then go on to present any discrepancies to the other collective rights management societies.

ICE boosts efficiency

Other than that, the specialist unit spends a great deal of time on scrutinising relevant works data.

“First and foremost, we ensure that the most popular works are registered correctly in our system, and that the rightsholders’ shares in those works are divided up correctly among composers, songwriters and/or music publishers. This information constitutes the essential DNA of a work, and it must be 100% accurate. We then supply other collective rights management societies with records that include all this work information and ask them to enter that information into their own work databases. The fact that Koda transitioned to the international database ICE in 2015 is hugely useful in this regard. With the ICE database the matches are made automatically, and its work information is reliable. It also allows distributions to be handled very quickly,” says Claus Lund Pedersen.

He emphasises that being proactive is extremely important within the field of foreign revenue.

Tracing a hit

“Obviously, Koda has no effect on whether Danish songs become hits abroad. But we actively monitor and protect the efforts and activities made by others. When a given work starts to climb the charts abroad, we alert the relevant managers, record companies and other stakeholders of the need to pass on information about the work and register the right documentation about who needs to be paid so that the DNA of the work is perfectly accurate. Knowing what kind of activities are in the pipeline beforehand also allows us to see more easily if any distributions are missing afterwards,” says Claus Lund Pedersen.

According to deputy managing director of Koda, Gorm Arildsen, the greater focus on foreign

“ We also have an ambition to see growth in foreign collection in 2016. However, we obviously have no say in how chart-friendly the Danish artists prove to be, so my main ambition is to ensure that we bring home the money that is out there.

Gorm Arildsen
Deputy Managing Director

revenues is part of Koda's strategy to give its composers, songwriters and music publishers the optimum service and to have an international outlook.

61% is sent abroad

"As a collective rights management society, Koda is facing increasing international competition, and we are very much aware of that. In 2015 we put particular emphasis on foreign revenues, and that decision was in keeping with our ambition to achieve optimum distributions for all rightsholders. It also means that in 2015, 61% of the total distributions made by Koda went to collective rights management societies abroad."

"Our surveys show that our members are very satisfied with Koda. But as yet, we have not been quite as structured in our dealings with music publishers, and we've faced challenges in terms of their approval rates. We need to establish closer relationships with music publishers and to increasingly service them as businesses. This will be a main focus area in 2016, and we will soon appoint a new Key Account Director who will deal specifically with music publishers," says Gorm Arildsen while also promising that rightsholders will receive more detailed data about their distributions.

"There is widespread demand for such data. In response, we are launching various initiatives in 2016 and 2017 to ensure better system support and, hence, more detailed data. Seeing exactly where the money comes from brings peace of mind."

"We also have an ambition to see growth in foreign revenue in 2016. However, we obviously have no say in how chart-friendly the Danish artists prove to be, so my main ambition is to ensure that we bring home the money that is out there," says Gorm Arildsen.

2016 will be "Unforgettable"

Even so, he and the director for foreign collection both agree that 2016 is shaping up to be a glorious year for Danish music abroad.

"In 2015, the major Danish successes were acts such as MØ (with Major Lazer), Volbeat and the contributions made by Danish composers to films and TV series in Denmark and abroad. In 2016 we will see the effect of Lukas Graham's tremendous success. Danish TV series – featuring Danish music – are still very popular abroad, such as "Broen", "Borgen" and "Forbrydelsen". And Danish composers have created music for TV series such as "Unforgettable" and "Lilyhammer". All signs point

to 2016 being Koda's greatest year ever in terms of foreign revenue. This marks a very positive development for Danish music, and we are ready to do everything we can to ensure that our members, composers, songwriters and music publishers alike, get the money from abroad they are entitled to," says Claus Lund Pedersen.

Top played Danish composers abroad in 2014

1	Jacob Groth
2	Thomas Troelsen
3	Michael Poulsen
4	Frans Bak
5	Jeppe Breum Laursen
6	Liv Lykke
7	Aura
8	Rune Reilly Kølsch
9	Agnes Obel
10	Remee

Top played foreign composers in Denmark 2015

1	Max Martin
2	Shellback
3	Ryan Tedder
4	Ed Sheeran
5	George Michael
6	Michael Jackson
7	Pharell Williams
8	Savan Kotecha
9	Sam Smith
10	Diane Warren

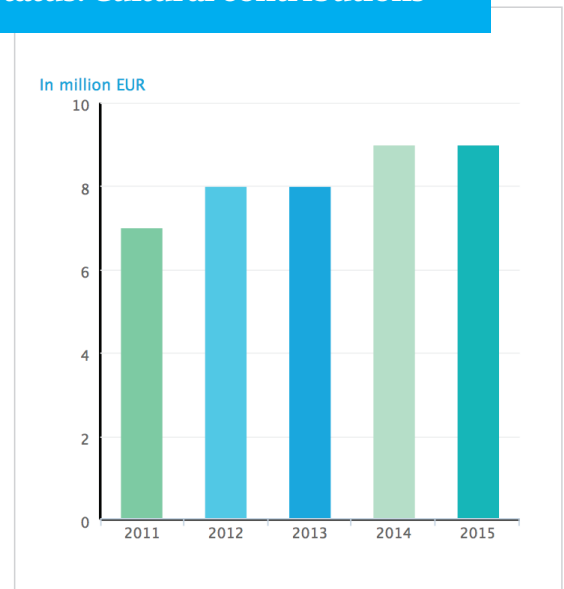
Koda's cultural contributions - a crucial part of the music scene

For more than fifty years now, Koda's cultural contributions have been embedded in the agreements with collective rights management societies across the world. The cultural contribution regulations provide the opportunity to spend up to 10% of our total turnover (after administration expenses) for cultural contributions, giving us a unique tool for promoting a strong and fertile music scene – which is, of course, particularly important within small markets such as the Danish-speaking region.

Koda's cultural contributions are part of every aspect of the music scene, right from the inception of new, boundary-breaking music to concert venues, from recording studios to writing camps all over the world. It also helps give composers, songwriters, producers and lyricists a stronger political voice in Denmark and internationally.

In other words, Koda's cultural contributions are a crucial aspect of the music scene, nurturing everything from niche art music to commercial music, jazz and folk – and they help export tracks to markets that want a piece of the Nordic sound. The contributions also constitute an investment in the booming experience economy. They help new music reach even larger audiences, and they help maintain political awareness of the importance of copyright issues, thereby benefiting all rightsholders.

Status: Cultural contributions



Cultural contributions distributed by member organisations DJBFA - Composers and Songwriters, Danish Composers' Society (DKF), the Danish Songwriters' Guild (DPA), and the Danish Music Publishers' Association (DMFF) and Koda in 2015

In 2015, the amount assigned to cultural contributions was 9.5 million EUR. Funds left over from 2014 were added to this amount, leading to a total distribution of 9.9 million EUR.

Grants

44% (4.4 million EUR) were distributed as working grants, study grants or travel grants, or in the form of funding to support releases, sheet music and residencies.

Concerts and festivals

15% (1.5 million EUR) of the cultural contribution funds went to festivals and other concert activities (such as Nordic Music Days, SPOT, Wundergrund).

Education, communication and PR

16% (1.5 million EUR) of the funds were spent on PR, communication and education activities. This figure includes the 10% spent on Koda's direct involvement in various projects and events (Koda Skolekontakt, Spil Dansk, Danish Music Awards, MGP and more). These activities help raise awareness of the work done by composers and lyricists and highlight how important copyright is to creative artists.

Cultural politics

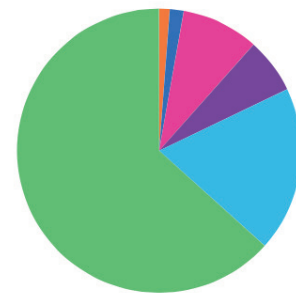
11% (1.1 million EUR) were spent on a range of activities and projects within the realm of cultural politics, focusing on raising awareness of the current conditions of creative music. These activities were carried out such as at the multi-party political rally Folkemødet, at the SPOT festival and at various political forums where Danish composers and songwriters represented their colleagues in international contexts. Examples include:

- ECSA – European Composer and Songwriter Alliance
- CIAM – Music Creators of the World
- Fairtrade for Music
- FastTrack – an international working group working to build a database structure and rules and standards for metadata in co-operation with global music publishers, collective rights management societies and authors.

Cultural contributions: Who contributed?

Rightsholder's shares in Koda's distributions for performances in Denmark 2015

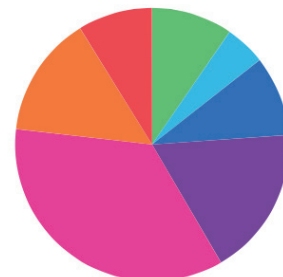
- Danish Composers' Society (DKF) – 1.2%
- Danish Music Publishers Association – 1.6%
- DJBFA – Composers and Songwriters – 8.8%
- Danish Songwriters' Guild (DPA) – 6.3%
- Affiliated members – 18.8%
- Abroad and other – 63.4%



Cultural contributions: Who distributed them in 2015?

Total amount: 9.9 million EUR (9.5 million EUR accumulated in 2014, 0.4 million EUR accumulated in preceding years)

- Koda projects – 9.6 %
- Funds for affiliated members – 4.8%
- Danish Music Publishers' Association (DMFF) – 9.5%
- Danish Songwriters' Guild (DPA) – 17.7 %
- DJBFA – Composers and Songwriters – 35.2 %
- Danish Composers' Society (DKF) – 14.4%
- Joint projects: The four member societies – 8.8%



Some of these funds are also spent on joint efforts carried out in collaboration with other rightsholders where we take the time to inform politicians and other key decision-makers about how copyright is crucial to creative artists.

Legal advice and skill raising

2% (0.2 million EUR) was spent on legal advice for authors and copyright work. Also, 0.2 million EUR was spent on skill raising (workshops/courses) for music creators.

Administration

A total of 9% was spent on administration.

Extraordinary aid

0.3% of the cultural contribution funds were given to individuals in dire straits, for example in connection with illness or death.

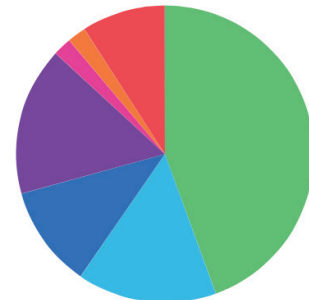
How many recipients were there?

- 2,508 individuals received support in the form of working grants, travel grants, residencies, and support for publications and sheet music.
- 765 pools set aside for concerts, tours abroad, festivals, etc.
- 571 individuals received funding for courses, workshops etc.

Cultural contributions: Distribution in 2015

Total amount: 9.9 million EUR (9.5 million EUR accumulated in 2014, 0.4 million EUR accumulated in preceding years)

- Working grants, production subsidies, etc. – 44 %
- Festivals, concerts – 15 %
- Cultural politics, PR – 11 %
- PR, communication – 16%
- Legal issues, copyright – 2 %
- Administration – 9 %
- Transferred to next year – 0
- Skill raising – 2 %

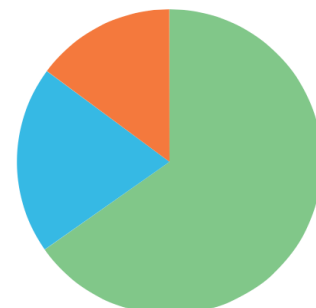


This figure shows how Koda and its member organisations DMFF, DJBFA, DPA and DKF assigned the cultural contributions in 2015.

Cultural contributions: Grants

Number of grants

- Working grants, production subsidies, etc. – 2508 grants
- Concerts – 765 grants
- Skill raising – 571 grants



Meet some of the people who received cultural contribution funds in 2015

DPA: Travel grant to L.A.



The members of Julias Moon - Oliver Kincaid and Louis Samson.

DPA gives out travel grants for travel that includes sessions, networking or sales abroad, collaboration with foreign songwriters, producers and artists, and/or meetings with industry professionals abroad.

The two songwriters Oliver Kincaid and Louis Samson (Julias Moon) were among those who applied for and were awarded a travel grant, which took them to L.A. For Oliver and Louis, their days in L.A. were all about music – while there, they wrote and composed alongside songwriters and producers such as Nico Stadi (Justin Bieber and others), Drew Pearson (OneRepublic, Katy Perry and others), Jesse Saint John (Rita Ora, Pittbull and others), and Nate Cyphert (Usher, Zara Larsson and others).

According to the two songwriters, the travel grant was crucially important to them: it made it possible for them to go at all and to focus fully on music: “This was a unique opportunity for us: going to L.A. to write and work with people that we could learn so much from. We probably wouldn’t have made that kind of trip at this point in time if we hadn’t gotten a travel grant from the DPA – and sensing that we have the support of someone who have faith in our music is hugely important us. It has allowed us to realise some dreams and proceed further with our music than would otherwise have been possible.” (Oliver Kincaid)

Louis and Oliver got exactly the results they had wished for from their trip: plenty of professional growth and a new perspective on songwriting, sessions with truly strong songwriters – and they wrote no less than ten outlines for songs in just fourteen days. All this means that they took home plenty of new materials to work on.

DKF: Nordic Music Days 2015



Drånkvartetten - a hurdy gurdy quartet.

The 2015 Nordic Music Days festival took place in Copenhagen on 24 to 27 September 2015. The festival aimed at exploring new concert formats for new music in unconventional settings. Featuring a programme that ranged from modern chamber opera to electronic music, improvisations and choir music and onwards to sound art, dance and performance art, the festival presented a total of 78 concerts featuring just over 250 musicians from the Nordic countries, USA, Germany and the UK over the course of four days. The festival also included a seminar on publishing in future, an exhibition of sound art and a workshop on composition for music schools students from the Copenhagen region.

By focusing on alternative and unconventional concert formats the festival successfully attracted large audiences who were very curious to see what it was all about. This included many spectators who had never attended a concert of new music before. All in all, the festival attracted approximately 4,000 visitors, and many of them stated that this kind of carefully curated event had been sorely missed and that they would like to see similar initiatives arranged in future.

Nordic Music Days is a festival for Nordic contemporary music. It takes place in a different Nordic country each year, which means that it is alternately arranged by the various Nordic composer associations. The festival constitutes an important international rendezvous for composers, musicians, audiences, festival managers etc. Founded in 1888, the festival is among the oldest in the world and is owned by the Council of Nordic Composers. In 2015 the Nordic Music Days festival took place in Copenhagen on 24 – 27 September, arranged by Dansk Komponist Forening.

Musikforlæggerne: MUSEXPO



The Blue Van played three showcases at MUSEXPO in Los Angeles.

In 2015, Iceberg Publishing took part in the music fair MUSEXPO in Los Angeles, USA, in order to help raise awareness of and market Danish music abroad.

“MUSEXPO is one of the most important international trade fairs for Iceberg: it allows you to get close to leading and trendsetting industry professionals within fields such as synchronisation (music supervisors, advertising companies, the TV industry, film companies, game companies, etc.) from across the world, but mainly from the USA.

Getting funding from the cultural contributions allowed us to bring along The Blue Van. They played three showcases at the fair – to hugely successful response! Their performances won us two synch slots straight away, and we struck an agreement with an American PR company about promoting the new album. Another composer of ours, Tim Schou, also performed at the fair. As a result, he was invited to join several songwriter sessions, including one for a new artist signed to Hollywood Records. Now, one of Tim’s tracks is in the running to be included on that artist’s album. As a publisher, we strengthened our own position and built our network, resulting in more than thirty meetings with relevant people from this part of the industry. Ten minutes of facetime is worth more than a hundred e-mails!” (Mette Zähringer, Iceberg Publishing)

DJBFA: Kompositions Camp

DJBFA arranges seven to ten so-called “A-courses” a year. An A-course lasts approximately a week and has a specific artistic theme. For example, DJBFA offers A-courses that focus on folk music (on Fanø), pop (in Stockholm), Middle Eastern music (in Oman), singer/songwriter music (in Austin) and more.

In 2015 the organisation held its Kompositions Camp!, a seven-day composing event focusing on crossovers between jazz and score writing.

“Since 2013, DJBFA’s Kompositions Camp has featured some of the leading composers and songwriters in the world, inspiring a new segment of songwriters and composers as they nurture and evolve their artistic voice. Our intentions behind Kompositions Camp! is to create a space where established DJBFA composers can meet, be inspired and add more strings to their bow. By furthering their understanding of the building blocks used in alternative and modern effects in classical music, participants are inspired to use those elements in their own works. The structure of the camp helps hone and define each composer’s personal style and offers clear directions on how composers can move on and expand their palette of tools and tricks of the trade.” (Søren Møller – head of Kompositions Camp!)

Camp participant Cecilie Sadolin says:

“For me, the Camp was an enormously positive, challenging and extremely relevant experience. It was a great joy to meet and work with Atli Ingolfsson, Bent Sørensen, Caroline Shaw and David Rossi at such close quarters; I don’t believe it would be possible to find more competent teachers anywhere. I was on cloud nine for days after this, not just because of the high level of professionalism among camp participants and teachers, but also because of the great discussions and the incredibly friendly atmosphere throughout. As far as the specific contents and themes are concerned, I really like how you linked up rhythmic and classical music. I felt inspired intellectually, professionally, spiritually, musically and creatively, and I will take this with me in everything I do from now on.”

Individuality is key

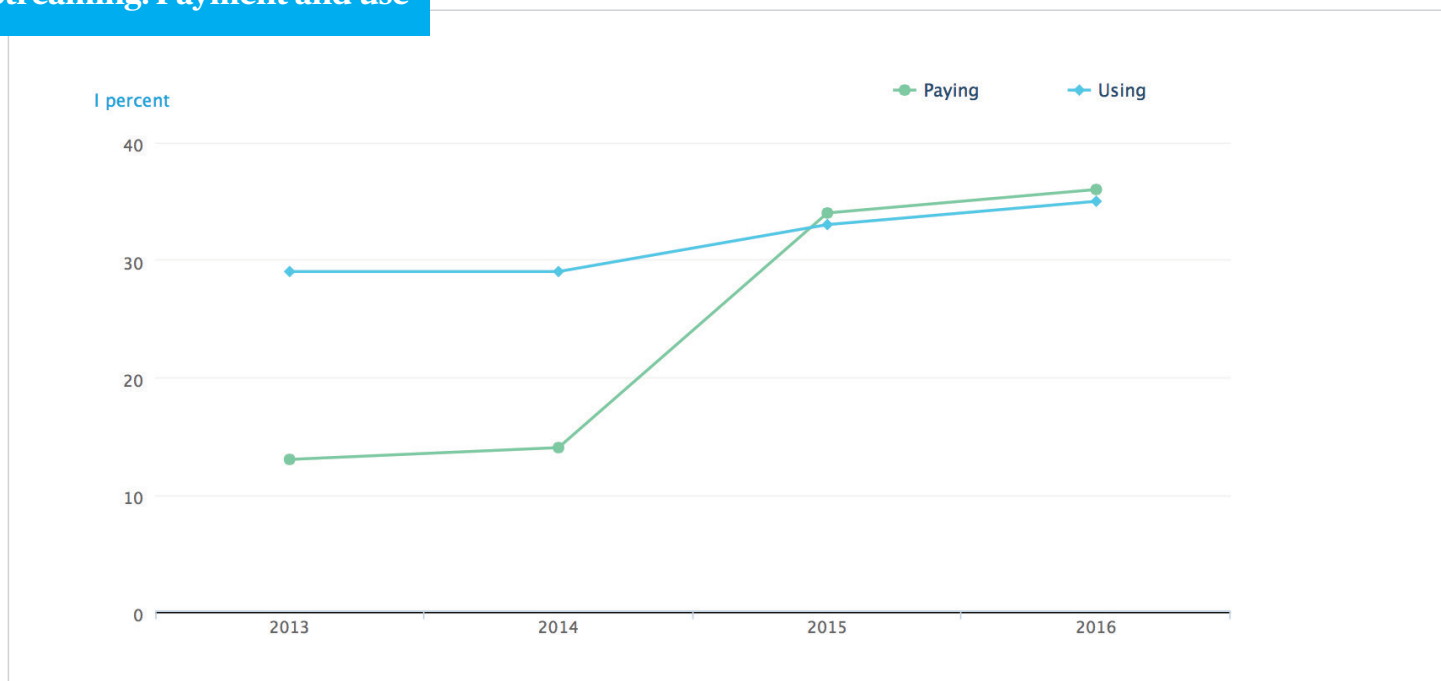
Increasingly individualised media consumption and a growing willingness to pay for streaming music, TV and films: these are some of the conclusions found in a new study of Danish consumers' media habits, carried out by YouGov on behalf of Koda.

Music streaming: more paying customers, but free services still holds sway

Whereas the total consumption of streamed music has not changed significantly, and the frequency of Danes pressing 'play' has only gone up a little since 2013, the relative share of users who pay for listening to music from one or more streaming services has gone up significantly during that same period. More than a third of all Danes are currently paying for at least one streaming service; in 2013 the corresponding figure was thirteen per cent.

The willingness to pay is most clearly pronounced among the younger segment of Danish consumers. Approximately 45 of all Danes in the 18–39 age bracket are paying for at least one streaming service. The corresponding figure for Danes in the 50–64 age bracket is only a quarter.

Streaming: Payment and use



The figure shows the percentage of Danes, who are paying for at least one music streaming service (green), and the number of Danes, who uses a music streaming service every day/almost every day (blue).

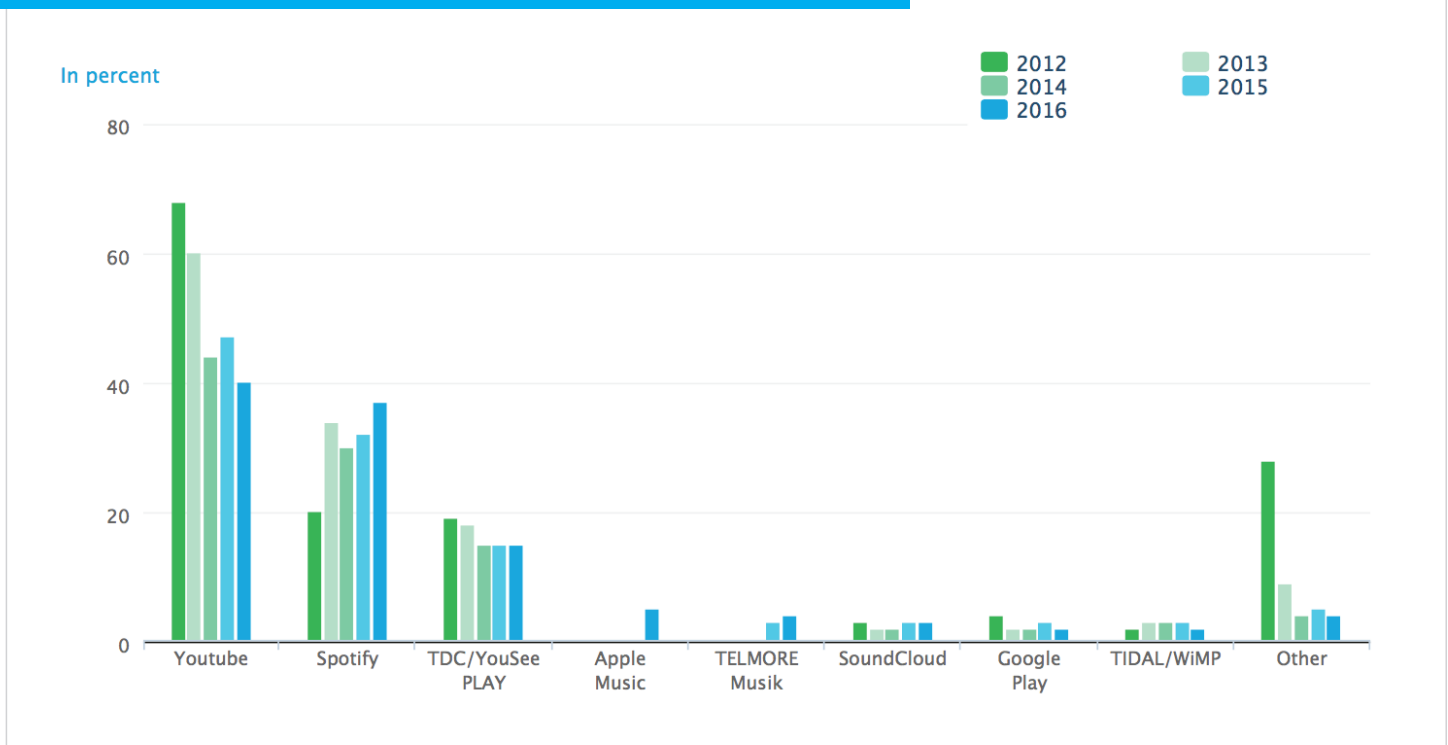
Streaming is for the young – radio for the old

Individualistic music media consumers are mainly found among the younger segment of the population. Sixty-seven per cent of the 12–17 age bracket and sixty-five per cent of the 18–29 age bracket use at least one subscription-based streaming service; only approximately one-fourth of the 50–64 age bracket do the same. If we look at consumers' use of free music streaming services such as YouTube, Soundcloud and Vimeo, we find that the 12–17 age brackets heads such consumption too: seventy-seven per cent of all respondents in this age group have used one of these services within the last thirty days. Conversely, only two per cent of the 18–29 age bracket only listen to music on the radio and TV, while this is true of more than a fourth of the 50–64 age bracket.

YouTube remains number one, but is used less frequently

YouTube remains the most used music streaming service in Denmark, but in one respect the competitors are catching up. If we look at the relative share of Danes who use YouTube every day/almost every day, their consumption has dropped by eighteen per cent since 2012. By contrast, the number of consumers who use Spotify every day has gone up from twenty to thirty-seven per cent during that same period.

Distribution of Danes, who streams music daily/almost daily

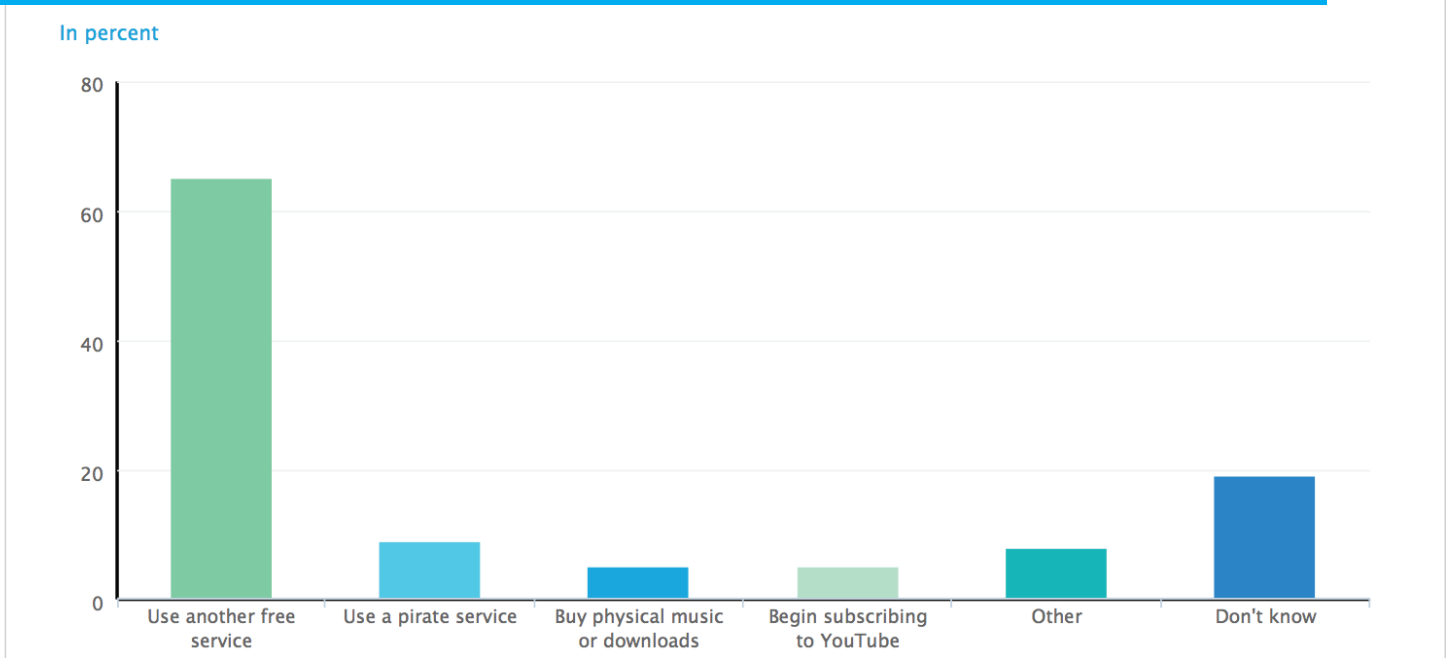


If we look at the total number of Danes who have used a streaming service within the last thirty days, we still find that YouTube takes the lead by a substantial margin. During this thirty-day period, almost half of all Danes visited YouTube to listen to music. This gives YouTube a comfortable lead compared to the next service on the list: Spotify, which attracted 36 per cent.

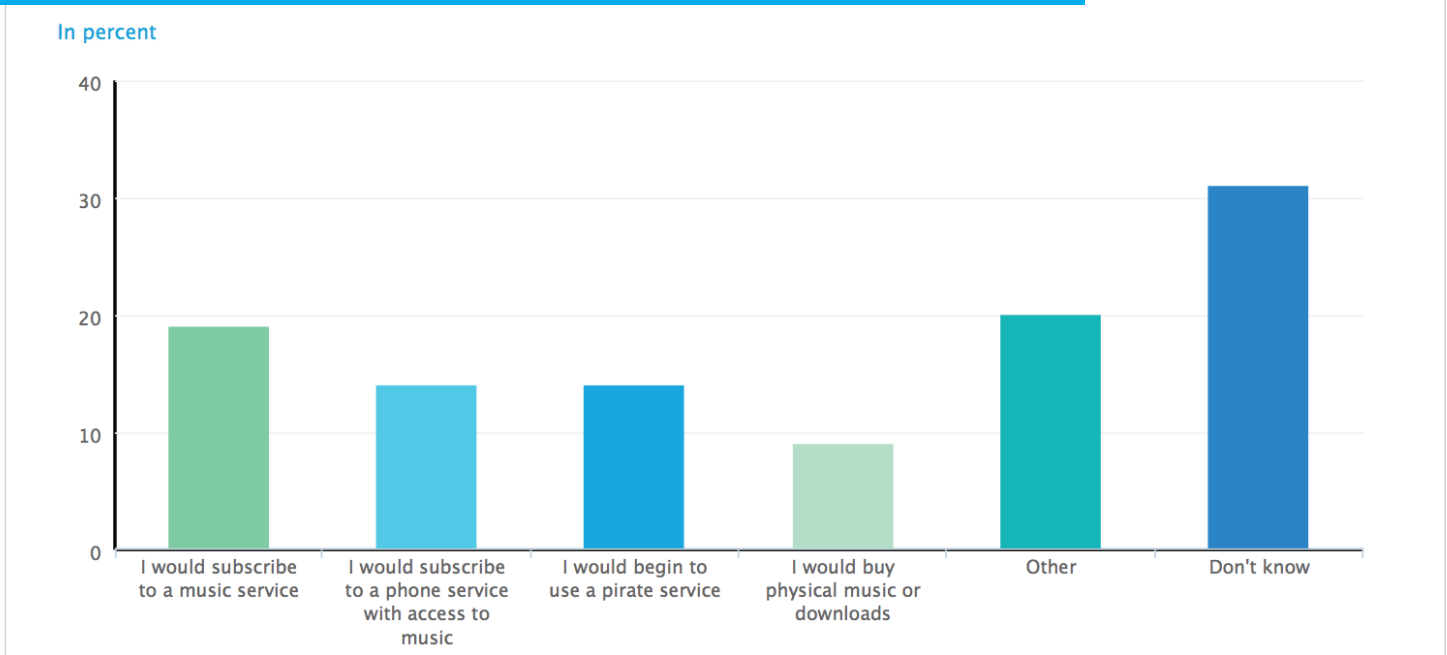
The force of habit

There is much to suggest that faithful YouTube users have grown accustomed to getting music for free, for when asked what they would do if the service started requiring payment, the vast majority replied that they would look for a free alternative. This trend does not hold true for Spotify Free users, who would be far more willing to opt for a paid service if the free option with Spotify disappeared.

What would you do, if it was no longer possible to listen to free music through YouTube?



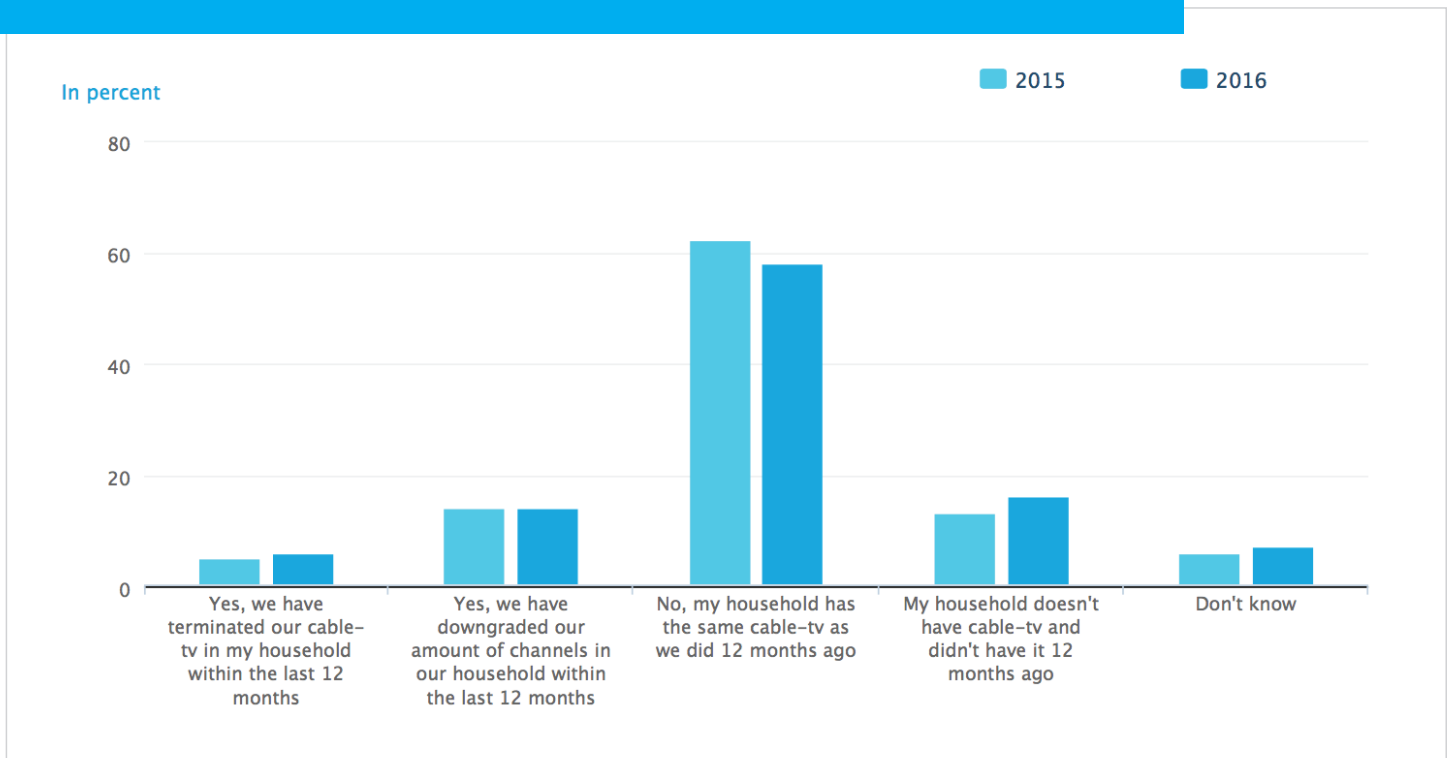
What would you do, if you couldn't listen to free music through Spotify?



No to cable, yes to VoD

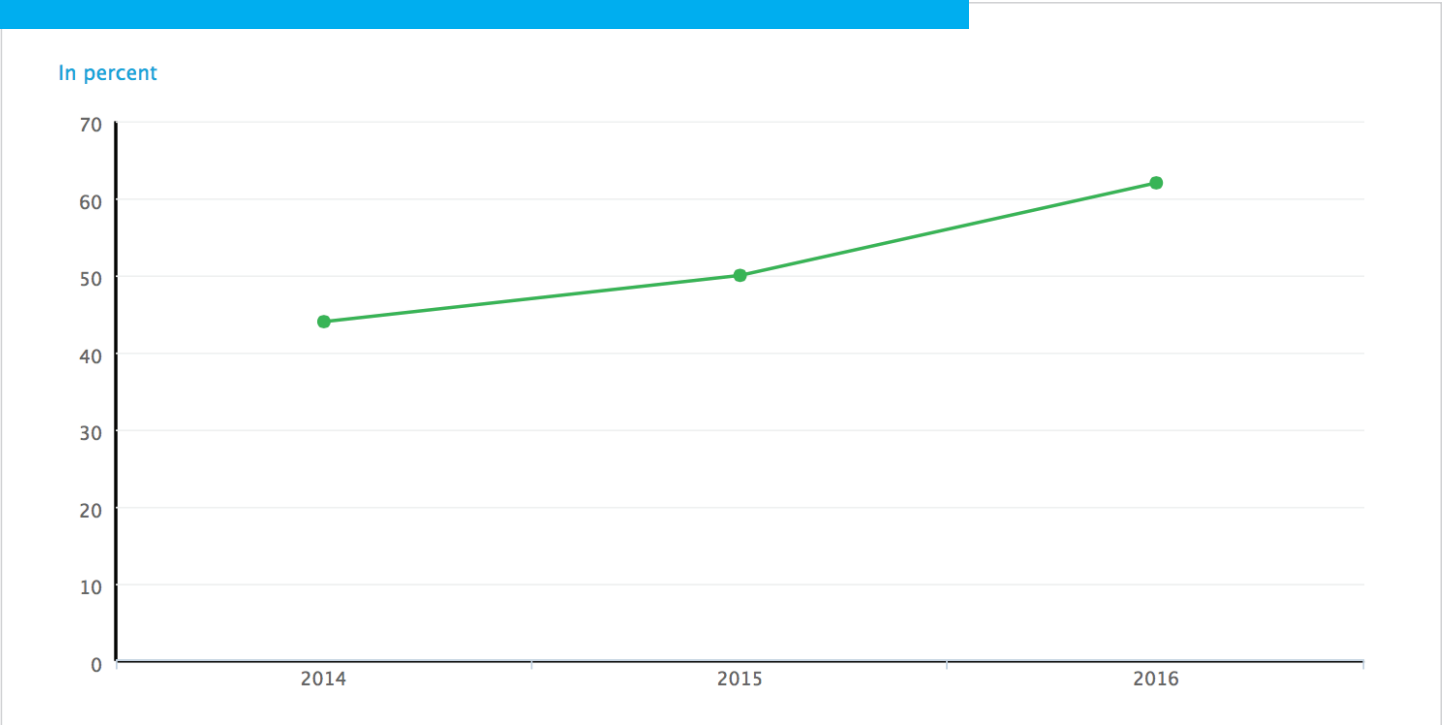
Trends within TV and film consumption also point towards more streaming and greater individualisation. For the second year running, fourteen per cent of all Danes have reduced the scope of their cable TV subscription within the last year. Today, almost one in four of all Danes have opted out of having a cable TV subscription altogether; this constitutes a four per cent increase in this group compared to last year. The reasons given for opting out or reducing the scope of their cable TV consumption focus mainly on money and new habits. The most frequent reply states they want to save money. The second most frequent reply states that the respondents can meet their TV viewing needs with a video-on-demand service such as Netflix or HBO.

Have you downgraded or terminated your cable-tv subscription within the last 12 months?

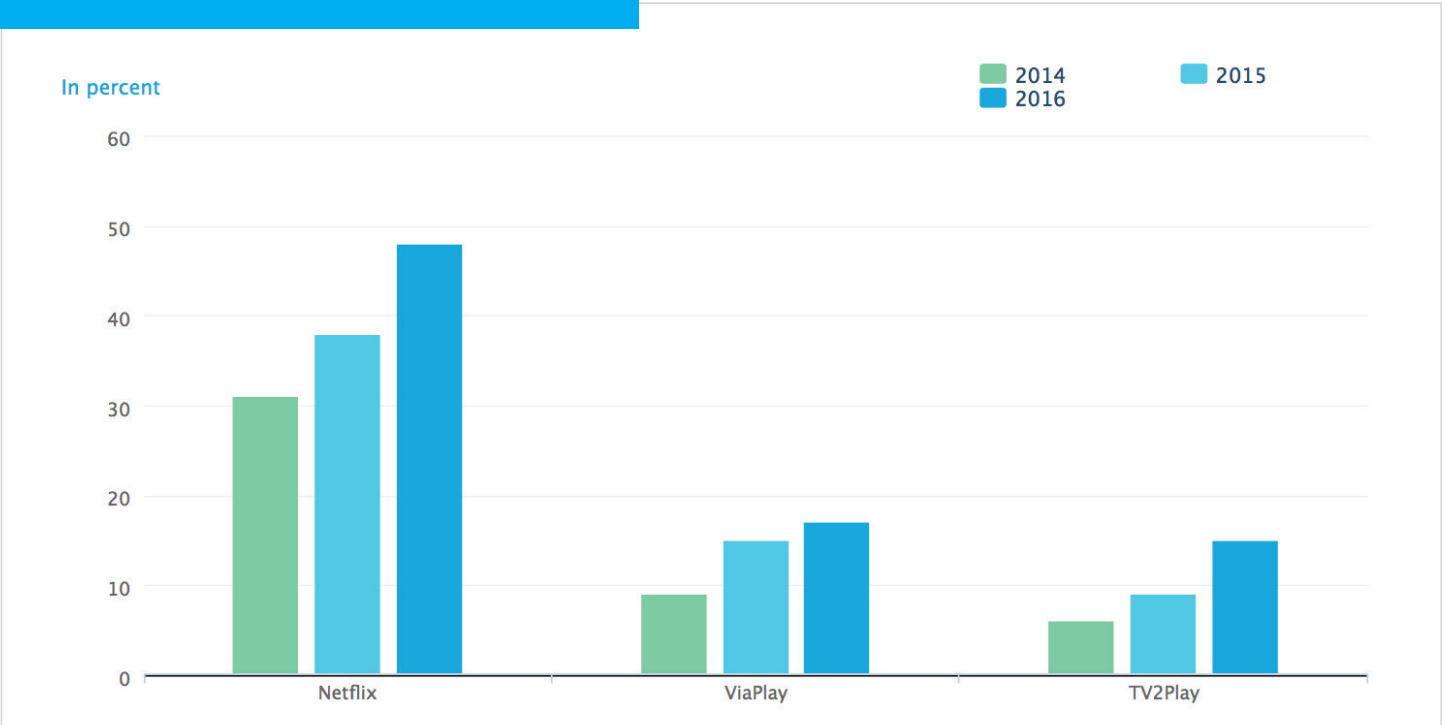


Last year, video-on-demand services saw significant progress in Denmark: today, sixty-two per cent of all Danes have a subscription with a video-on-demand service, whereas the figure for the preceding year was fifty per cent. One service in particular has won favour with the Danes: Netflix. Nearly half of all Danes now have a Netflix subscription.

Danes, who subscribe to one or more video-on-demand services



Top 3 most used video-on-demand services



Analysis facts

This is the fifth year in a row that Koda has conducted a survey of Danish consumer behaviour for its annual report, analysing the trends within music, TV and film consumption. The survey was carried out in March 2016 by the market research firm YouGov on behalf of Koda.

Overview: Money in and out of Koda

Overview: Money in and out of Koda

	Income 2015	Deduction for administration Total 9.7%	Deduction for cultural contributions	Deduction for first performance and subsidised concert	For distribution 2015/16
TV	15.8	13.4%	9.0%	4.3%	11.6
Radio	12.6	13.1%	9.0%	4.3%	9.3
TV distribution	28.7	3.4%	9.0%	0.0%	25.2
TV distribution - separate basis for distribution	5.1	10.5%	9.0%	2.6%	4.0
KulturPlus (incl. collective funds)	1.0	1.7%			1.0
Online - Streaming TV, film and series	3.7	7.7%	8.3%		3.1
Online - Interactive TV series	8.7	10.0%	6.8%	0.1%	7.2
Online - background music on the internet	0.4	18.2%	7.7%	3.7%	0.3
Online - streaming and downloading music	7.1	7.7%	4.8%		6.2
Background - unreported	10.0	14.4%	9.0%	4.3%	7.2
Background - reported	2.2	15.8%	9.0%	4.3%	1.6
Cinemas and films	1.6	14.4%	9.0%	4.3%	1.4
Concerts	10.7	19.4%	9.0%	4.3%	7.2
Major Live Concert	0.3	8.0%	9.0%		0.2
Subsidised concerts	0.4		9.0%		1.2
First performance awards					1.6
Foreign income	7.2				7.2
Cultural contributions					9.1
Interest	0.1		9.0%		0.1
Total including interest	115.2	9.7%	7.9%	0.0%	104.1

ALL AMOUNTS LISTED AS EUR MILLION

Note 1 of the 2015 Annual Report includes EUR 0.5 million in the item "Primary transmission on radio and TV and retransmission"; this amount is included in the item 'Online – interactive TV' above.

Income from 'Concerts' and 'Background' is listed in note 1 of the 2015 Annual Report under 'Hotels and restaurants', 'Background music' and 'Concerts, events, etc.'.



Koda

Financial Statements for 2015

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 746.25, has been used for both income statement and balance sheet items.

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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 2015.

The Financial Statements are prepared in accordance with the By-laws of Koda and the accounting policies adopted by the Society. 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 2015 of the Society and of the results of the Society operations for 2015.

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

Copenhagen, 12 February 2016

Executive Board

Anders Lassen

Board of Directors

Niels Mosumgaard
(Chairman)

Susi Hyldgaard
(Deputy Chairman)

Peter Littauer

Bent Sørensen

Jacob Morild

Niels Marthinsen

Maj-Britt Kramer

Tine Birger Christensen

Ole Dreyer Wogensen

Jens Visby
(Employee Representative)

The Financial Statements were presented at the Annual General Meeting of the Society,
/ 2016

Chairman

Independent Auditor's Report

To the Board of Directors of Koda

Report on the Financial Statements

We have audited the Financial Statements of Koda for the financial year 1 January – 31 December 2015, which comprise income statement, balance sheet, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the By-laws of Koda and the accounting policies adopted by the Society.

Management's Responsibility for the Financial Statements

The Management of the Society is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the By-laws of Koda and the accounting policies adopted by the Society, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society's preparation of Financial Statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

Independent Auditor's Report

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Society at 31 December 2015 and of the results of the Society operations for the financial year 1 January - 31 December 2015 in accordance with the By-laws of Koda and the accounting policies adopted by the Society.

Copenhagen, 12 February 2016

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Ulrik Ræbild
State Authorised Public Accountant

Anders Røjleskov
State Authorised Public Accountant

Accounting Policies

The Financial Statements are prepared under the following accounting policies, which have been changed as described below compared to last year.

The Financial Statements for 2015 are presented in DKK thousands.

Change of accounting policy

Koda has changed its accounting policy concerning Danish mechanical online rights so that these are now recognised in the income statement as, in Management's opinion, this gives a more true and fair view.

In 2015, the change resulted in increased music revenue of EUR 4,349k and increased distribution to the holders of the rights of EUR 3,925k. The comparative figures for 2014 have been restated in terms of increased music revenue and increased distribution to the holders of the rights amounting to DKK 3,299k.

The change has not affected results for the year.

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.

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.

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 investment in subsidiary

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

Other operating income/expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the Society, including gains and losses on the sale of operating equipment and properties.

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.

Accounting Policies

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.

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.

Development projects

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.

Investments in subsidiary and associate

Investment in subsidiary is recognised at net asset value and investment in associate is recognised at cost.

Subsidiary and associate with a negative net asset value are recognised at DKK 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.

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2015</u> EUR '000	<u>2014</u> EUR '000
Rights to public performance, Denmark		103.787	103.669
Mechanical rights, Denmark		4.361	3.307
Rights to public performance, abroad		7.174	7.335
Total music revenue	1	115.322	114.311
Distribution to rights holders for the year	2	-104.020	-107.494
Profit before expenses etc		11.303	6.816
Administrative expenses	3	-10.367	-9.852
Profit before depreciation, amortisation and other items		936	-3.035
Depreciation, amortisation and impairment losses		-807	-535
Profit before interest		129	-3.570
Income from investment in subsidiary		0	-1
Other operating income, net	4	0	1.032
Net financial income	5	-129	2.540
Profit before tax		0	0
Corporation tax		0	0
Net profit for the year		0	0

Balance Sheet at 31 December

Assets

	Note	2015 EUR '000	2014 EUR '000
Investment in subsidiary, Koda ApS		0	10
Investment in associate, Polaris Nordic A/S		22	22
Fixed asset investments		22	33
Development projects in progress	7	34	675
Completed development projects	7	2.457	762
Operating equipment and leasehold improvements	8	1.843	2.072
Property, plant, equipment and intangible assets		4.334	3.509
Receivables		777	1.353
Prepayments and accrued income		248	145
Deposits		470	462
Other receivables		5.816	4.546
Cash at bank and in hand		15.334	28.396
Securities	6	77.260	62.140
Current Assets		99.905	97.042
Assets		104.261	100.583

Capital and liabilities

Contribution to cultural purposes	9	9.717	10.351
Collective private copying payments	10	554	441
Other payables	11	3.731	4.256
Provision for distribution, abroad		4.273	3.475
Provision for distribution, domestic	12	85.987	82.060
Capital and liabilities		104.261	100.583

Contingent liabilities	13		
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Notes to the Financial Statements

	2015	2014
	EUR '000	EUR '000
1 Music revenue		
Primary transmission on radio and TV and retransmission	62.745	68.276
Kulturplus	992	699
Internet and On Demand	19.274	13.058
Cinemas and films	1.592	1.401
Hotels and restaurants	6.614	6.492
Background music	6.114	6.033
Concerts, events etc	10.918	10.930
Adjustment of provision for bad debts	-99	87
Abroad	7.174	7.335
	115.322	114.311
2 Distribution to rights holders for the year		
Distribution to rights holders for the year is allocated as follows:		
Cultural contributions	9.065	9.487
Collective private copying payments	330	238
Profit from properties transferred to cultural funds	0	1.031
Individual allocation, revenue, domestic	87.450	89.404
Individual allocation, revenue, abroad	7.174	7.335
Distribution to rights holders	104.020	107.494
Calculation of cultural contributions:		
Profit as per income statement	104.020	107.494
Rights to public performance, abroad	-7.174	-7.335
Kulturplus	-992	-699
Mechanical rights	-3.925	-3.307
Online public performance, already provided for	-4.653	-4.350
	87.275	91.804
Cultural contributions, 10% provision	8.728	9.180
Online public performance, provision	338	306
Cultural contributions calculated for the year	9.066	9.485

Notes to the Financial Statements

	2015	2014
	EUR '000	EUR '000
3 Administrative expenses		
Staff expenses	-8.855	-8.607
Capitalised payroll expenses	774	751
Refunded payroll expenses	1	139
Refund, administration etc	0	2
Fees	-1.174	-719
Marketing and PR	-790	-672
Travelling, meetings and entertainment	-349	-371
Rental income	152	126
Rental expenses	-902	-733
Property expenses	-293	-412
Office supplies	-451	-511
IT expenses	-447	-418
Acquisitions and maintenance	-21	-88
Membership fees etc	248	212
Remuneration for administration	1.742	1.450
	-10.367	-9.852
4 Other operating income		
<i>Gain, Landemærket:</i>		
Gain on sale	0	803
<i>Gain, Gråbrødre Torv:</i>		
Selling price	0	0
Dissolution of revaluation - proportionate	0	0
Carrying amount at 1 January	0	0
Selling costs	0	0
Provision for tax on gain, Gråbrødre Torv	0	0
Adjustment of tax on gain, Gråbrødre Torv	0	229
	0	0
Impairment of fixtures and fittings, software and IT in connection with removal, Landemærket	0	0
	0	1.032

Notes to the Financial Statements

	2015	2014
	EUR '000	EUR '000
5 Net financial income		
Portfolio return	-230	2.372
Bank and giro accounts	-66	-10
Receivables etc	168	178
	-129	2.540

6 Securities

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

	Development projects in progress	Completed development projects
7 Development projects		
Cost at 1 January 2015	673	888
Additions	1.345	1.984
Transfer to completion of development	-1.984	
Cost at 31 December 2015	34	2.872
Amortisation and impairment losses at 1 January 2015	0	-128
Amortisation for the year	0	-287
Amortisation and impairment losses at 31 December 2015	0	-415
Carrying amount at 31 December 2015	34	2.457

Notes to the Financial Statements

8 Operating equipment and leasehold improvements

	Fixtures and fittings	IT equipment	IT software	Leasehold improvements	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Cost at 1 January 2015	530	1.221	135	1.301	3.186
Additions for the year	3	288	0	5	296
Disposals for the year	0	0	0	0	0
Cost at 31 December 2015	<u>533</u>	<u>1.509</u>	<u>135</u>	<u>1.306</u>	<u>3.482</u>
Depreciation, amortisation and impairment at 1 January 2015	-172	-704	-135	-108	-1.119
Impairment losses for the year	0	0	0	0	0
Depreciation and amortisation for the year	-90	-299	0	-131	-520
Depreciation, amortisation and impairment at 31 December 2015	<u>-262</u>	<u>-1.003</u>	<u>-135</u>	<u>-239</u>	<u>-1.640</u>
Carrying amount at 31 December 2015	<u>270</u>	<u>505</u>	<u>0</u>	<u>1.067</u>	<u>1.843</u>

9 Contribution to cultural purposes

	2015	2014
	EUR '000	EUR '000

Cultural contributions for the year	9.066	9.486
Cultural contributions transferred from previous years	651	864
	<u>9.717</u>	<u>10.351</u>

10 Collective private copying payments

Collective private copying payments for the year	332	238
Payments transferred from previous years	222	203
	<u>554</u>	<u>441</u>

Notes to the Financial Statements

	2015	2014
	EUR '000	EUR '000
11 Other payables		
Koda-Dramatik	121	121
Polaris Nordic A/S	143	128
Accrued expenses	2.328	2.891
Accrued holiday pay	832	867
Accrued A tax, social security contribution and ATP	16	12
Prepayments	291	238
	3.731	4.256
12 Provision for distribution, domestic		
Distribution balance at 1 January	82.060	86.140
Domestic revenue for the year for individual allocation	87.450	86.097
Profit from properties transferred to cultural distribution	0	1.032
Distribution (payments) during the year	-83.523	-91.209
	85.987	82.060
13 Contingent liabilities		

The estimated capitalised value of pension obligations amounts to EUR 243k.

Rental obligation

The Society has assumed a rental obligation which is noncancellable until 1 March 2024. The obligation amounts to EUR 8,057k at 31 December 2015. Part of the lease has been sublet on noncancellable leases amounting to EUR 954k.

Lease obligation

The obligation amounts to EUR 33k at 31 December 2015.

Polaris Nordic A/S

Together with Tono, Norway and Teosto, Finland, Koda participates in the jointly owned company Polaris Nordic A/S, which has entered into a 5-year operating agreement with ICE involving an estimated cost for Koda in the period of the agreement of EUR 2,871k.