



KODA

The Performing Rights
Society, Denmark

Annual Report 2004



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Annual Report 2004
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"We still struggle with a lack of understanding that an increased use of music on the radio must be reflected in increased remuneration to music creators ..."



chairman's foreword

Hans Dal

Efficient National Management is the Path to Follow

In 2004, KODA supported Danish music in a number of essential areas and not only through individual amounts to individual composers, songwriters or music publishers. For instance 2.7 m DKK was allocated to publications of young talented debutants and to artistically valuable projects. KODA's and the composer organisations' support to CD productions is – apart from the Gramex support to performing artists by The Danish Musicians' Union and The Danish Artists' Union – the only support facility in connection with new publications in Denmark today.

In 2004, KODA also supported the Danish music scene by distributing 30.2 m DKK to The Danish Society for Jazz, Rock and Folk Composers, The Danish Songwriters' Guild, The Danish Composers' Society and The Danish Music Publishers' Association. They allocated these funds to their

members in form of work scholarships, workshops, courses, support to publications and many other purposes. In this way, KODA contributes to safeguard the development of Danish music and the organisation of the Danish music trade. The decisive importance of KODA for the development of and support to Danish music and culture is beyond doubt. KODA plays a decisive cultural role. Without a strong KODA the Danish music trade in its present form would not be possible – who else should pay for the creation of new music?

Seen in this perspective the development within the EU has in 2004 been quite disturbing. The EU Commission has made an effort to eliminate the so-called Santiago agreement that safeguards reasonable rules between the authors' societies in the online area. This is only one of many EU initiatives with the purpose

to make music rights a commodity and thereby make the rights management efficient. This leaves us with two general problems. First, it will be the end of contributions to Danish music, association activities and the narrow and odd Danish music and lyrics if the music is reduced to a commodity. Second, there is nothing to be gained by being more efficient, as KODA internationally is among the top scorers regarding membership service and administration costs. KODA is not at all interested in operating in other European countries, as this is not in the interest of the members. Consequently, the efforts of the Commission will result in members being referred to less efficient authors' societies. To the detriment of Danish music and the members, who will have to share smaller amounts. In the short run, KODA and the music users will be left with bureaucratic procedures that will never work in practice. The

EU Commission has absolutely no understanding of music management.

If we take a look at our international organisation, CISAC, we find the same worrying tendencies: Centralization with increased power to the major actors on the international stage! In 2004, the Nordic countries lost their seat in CISAC's board, and it became quite clear that the small societies must intensify their co-operation, if they wish to have an influence on the global political and economic copyright game.

We must focus on creating an understanding that the cultural multiplicity and artistic development only can be safeguarded by a protection of copyright through international systemized co-operation agreements, but still with national management.

In Denmark, the CD sales have again decreased. This year with as much as 7 per cent compared to 2003, whereas the ramification of the illegal peer-to-peer services on the Internet internationally becomes still more dispersed, and home copying continue to spread. Among other things, the decrease of the Danish CD sales is a result of an increasing amount of music being downloaded from the Internet – legally as well as illegally. The good news is that the legal sale on the Internet is increasing. Naturally, it is regrettable that huge quantities of music are still shared illegally via the Internet. In

Denmark, the debate regarding music on the Internet has primarily been about the “Anti- Pirate Group” versus a small group from “The Global Roots” calling themselves “The Pirate Group”. Media and the Pirate Group have wrongfully questioned the working methods of the Anti- Pirate Group. KODA is a member of the Anti Pirate-Group as we find that the rightsholders together must defend copyright through information and at the same time work concretely to stop the infringement of the copyrights of our members. This must, of course, take place in an objective and decent atmosphere. This is still a condition of our participation.

Not only the conflicts between national and international interests offered major challenges for KODA in 2004. Nationally we have been exposed to a heavy pressure from certain Danish radio and TV stations. We still struggle with a lacking understanding that a generally increased music use in the radio must be reflected in increased remuneration to the music creators. It is a fact that through recent years there has been an explosive increase of the use of musical works in Danish radio stations, whereas the payment per played song has decreased drastically. Naturally, we cannot accept this tacitly, but at the same time it is essential to us, through negotiations, to reach agreements securing a fair payment to our members when their music is played. The right to negotiate has

implied that we previously, in spite of disagreements, have been able to negotiate agreements without political interference – however, if the negotiations contrary to expectations do not result in an agreement, the Danish Parliament has decided – recommended by Denmark's Radio, among others - that the payment shall be decided by the independent Danish Copyright Licence Tribunal. We do believe, however, that the Danish politicians understand that negotiations shall be conducted without political interference.

The consequence of the Internet and the digitalisation means that copyright in the years to come will be a hot cultural-political issue. Some point out that copyright will become the decisive theme irrespective of the party affiliation of the Cultural Minister in power. The combination of copyright law, which is hard to understand, and the technical conquests, which are also hard to understand, will at worst mean that politicians, media and opinion-formers will turn the deaf ear to the debate and believe in easy solutions. In relation to the decision processes of the EU Commission, the multinational commercial interests and the interests of the larger European nations this may have fatal consequences for Danish art and culture.

Therefore, we will currently and all the time emphasize the importance of

copyright, not only for the individual composer and songwriter, but for the whole Danish cultural landscape. Without the national collective management of copyright our present cultural structure will collapse.

EU Regulation of Collective Management Societies

The EU Commission has announced an initiative for the harmonisation of collective management of copyrights, digital rights management (DRM) and the possibilities of cross-border licensing within the EU. The EU Commission has stated that it is decisive that the collective societies are efficient, open and honest if the cross-border commerce with copyrighted material shall function smoothly in the inner market. It is our opinion that we are fully able to live up to the demands of the Commission. As long as the Commission maintains the present structure with national societies, we meet this initiative – which is expected to be introduced in the middle of 2006 – without worries. Irrespective of the form of the initiative, it will probably hit the centre of KODA's activities, and we will of course follow the development closely.



In spite of decreasing record sales, the increasing online sales, concert activities and income from affiliated societies give hope for Danish composers and songwriters.



review by the managing director

Niels Bak

Progress for Danish Music Abroad

A composer or songwriter is not able to uphold a fixed monthly pay, but must make a living via revenues from KODA and NCB, and most of them must supplement with income from other work, for instance as musician or teacher.

In a small country like Denmark the income possibilities are limited, and if we wish a national music culture based on music and lyrics created by Danish composers and songwriters both users and politicians must understand that it costs a little more per inhabitant in this country than in countries with a larger buyer and inhabitant basis. If the users and the politicians demand a harmonised payment basis in the whole EU of the remuneration for composers and songwriters, the possibilities of maintaining the cultural distinguishing features of smaller nations are undermined.

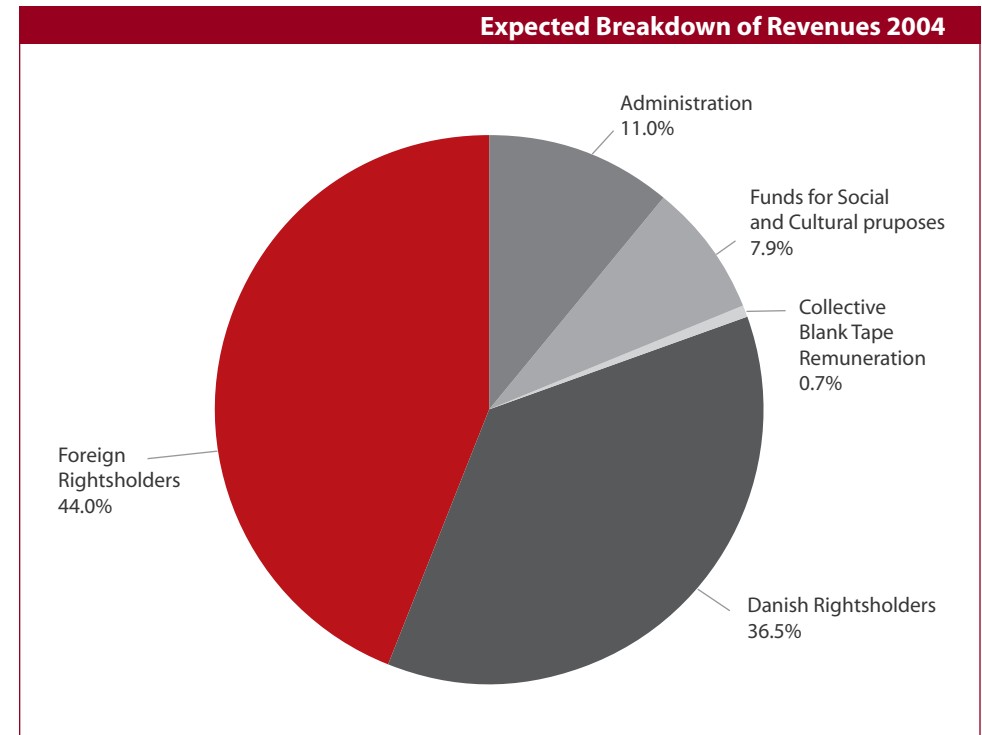
Of course we have the possibility to export our music and thus extend the market. The condition of success on the export market is a well-functioning home market, a growing place for talents and an unbroken and well-functioning musical food chain – and with this we have succeeded quite well. Although we cannot collect for the works of Carl Nielsen anymore, and the world success group AQUA no longer exists as a group, we have had a steady progress for Danish music abroad. Remeé (who received the outstanding UK composer award – the Ivor Novello Award), Junior Senior, film composers such as Joakim Holbeck and Søren Hyldgaard and many others contribute to draw the attention to Danish music abroad. KODA's income from affiliated societies increased by 14 per cent and contributed to a total result increase of 7 per cent compared to 2003.

The total income including interest was 439 m compared to 409 m DKK in 2003. The music remuneration collected in Denmark increased by 8 per cent to approx. 377 m DKK, whereas the private copying remuneration decreased by 27 per cent, among other things as a consequence of the Government's reduction of the remuneration for blank CDs. There is a major risk of a further decrease of income, as the industry wishes a reduction of the remuneration for blank DVDs, and in future private copying will take place in built-in media (mobile phones, DVD recorders and computers), where there, regrettably, is no remuneration.

Interest income increased by 15 per cent as a consequence of unrealised capital gains which again was due to a low interest level at the end of the year.

Administration costs increased by 6 per cent to 48 m DKK. This is primarily due to the fact that we – in order to be able to give the best possible service to our members – have developed new IT systems. Beyond this we have increased activities in many areas, among other things we have extended our communication activities with several public arrangements and a goal-oriented work informing media on our activities. You cannot judge a collecting society by the administration percentage alone, but it is an excellent indicator. In spite of the increased activities, we have succeeded in maintaining our administration percentage at 11. It is still one of the lowest compared to our sister societies in Europe.

that they were "very satisfied/satisfied" with KODA. It is characteristic that the members are glad that someone is taking care of their rights and that they are paid when their music and lyrics is used. The service given by KODA's employees also received top marks. 95 per cent of the members are "very satisfied/satisfied" with our service. We also use surveys to examine our members' attitude towards specific subjects or new initiatives. Among the many answers a substantial part of the members point out that we should work harder to improve KODA's image. Consequently, we have in 2004 employed a person to be responsible for communication and press. We have launched public debate meetings where it is our ambition to contribute to the public media debate on issues influencing our members' income now and in future.



KODA's Members

Satisfied members

In 2004, we carried out a survey among our members. 97 per cent answered

FACTS ON KODA

KODA still has a very low administration percentage, i.e. 11 per cent of the total income in 2004 on 11.1 per cent in 2003.

In 2004, KODA employed an average of 95 employees.

www.koda.dk

In recent years we have focused on making the relation between KODA and the members as easy and up-to-date as possible. Administrative routines shall in future primarily take place via KODA's website. For a long period it has been possible to notify works, send KODA lists and see distribution specifications via Mit KODA [My KODA]. In the survey, the members state that they are satisfied with the digital service and that KODA shall

continue to improve and extend these services. Consequently, we have started a long-term project with the aim to improve our digital services.

Still more members contact us personally with the purpose to find out how to start sending work notifications and KODA lists via www.koda.dk. It is a positive sign that there is a wish to use these functions and thus reduce costs, which at the end of the day will benefit the members.

Member meetings

Our members have been very interested in other offers such as courses, inspiration meetings and possibilities to attend showcases. In April and November 2004 we invited them to meetings in Haderslev and Copenhagen, respectively. The subjects of the meeting were adapted to current needs and interests in membership circles. At both above meetings an experienced composer and music publisher told about possibilities and pitfalls in the music trade.

Public debate meetings

In 2004, we launched a new type of debate meetings. The purpose of these meetings was partly to give the members an opportunity to debate current matters and partly publicly make KODA visible as an important actor in relation to subjects of interest for the future income of the members.

In May we arranged a meeting with the subject “The tune that disappeared”. The background was a conflict threatening to develop between music users accusing KODA and the artists of being greedy when collecting for the use of music on the one side and on the other side composers and songwriters who feel that their

livelihood is threatened. The debate among the 130 participants was very vivid and was followed by an hour’s concert.

The debate meeting “Music life in five years: Nightmare or Nirvana?” was held in October. The panel debated the future of Danish composers: How will they make a living? How will their works be appreciated? And which role will the technological development play?

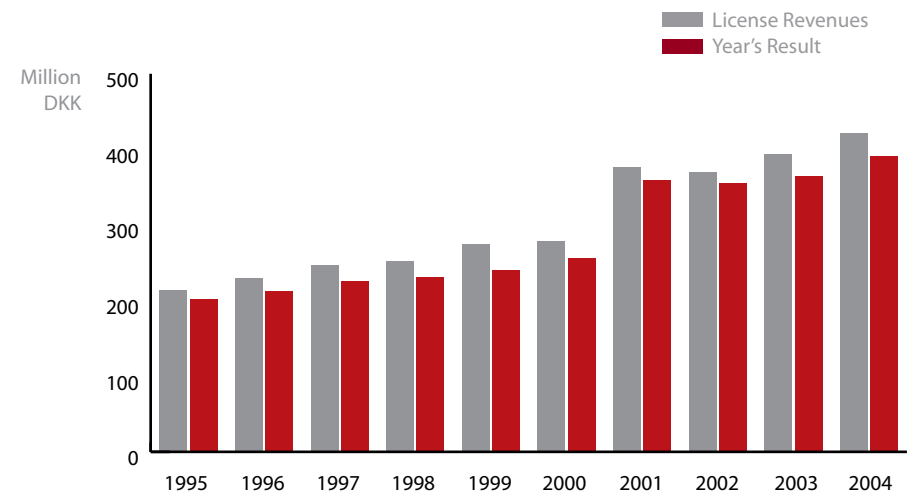
Songwriter clubs and courses

Songwriter clubs have become very popular, and KODA has had the opportunity to support several clubs in various ways during 2004. In connection with the establishment of a club in Esbjerg we helped sending invitations to the founding meeting to KODA members in Esbjerg. Ivan Pedersen, songwriter and member of KODA’s council, visited the club and shared his experiences about starting a career as songwriter. A club was also founded in Horsens where we contributed with invitations and economical support to the printing of posters. The songwriter club in Århus profited from the visit of a KODA employee from our Member Service to explain about the co-operation between KODA and its members. Support from KODA is a standing offer to songwriter clubs.

MEMBERS IN 2004 FIGURES

KODA memberships	28,783
Composers and songwriters	28,118
Music publishers	665
New memberships in 2004	1,146
Work notifications	35,461
Notified via eAnmeld at Mit KODA	17,602
Notified on paper	17,867
KODA lists & concert programmes	32,112
eKODA lists via Mit KODA	12,640
Number of users of Mit KODA	7,083

Licence Revenues and Distribution Amounts 1995-2004



Courses for songwriters were introduced in 2004 and became a success. The participants gave us much positive feedback. The courses were in great demand – approx. half of the applicants were admitted. In co-operation with Artlab we introduced courses in text writing in Danish and English, advertising music, film music, publishers and export possibilities for songwriters together with master classes.

Payment to members

In 2004, 11,011 members received distributions from KODA covering the use of their music/songs in Denmark

and for some also the use of their music/songs abroad. In total 146 m DKK was paid to Danish members. The distribution of income to the members appears from the survey in this report.

There is a vast detail work behind the payment, which secures that the individual KODA member is paid for many different performances: Major concerts and small live jobs, church concerts and services, significant use of music in TV, background music in films and series, music for TV commercials, Danish TV, TV and radio on The Faeroe Islands and Greenland, cable and satellite TV, national radio and private local radio, Internet radio and satellite radio, jingles, music

Income statistics for Danish Members

KODA 2004

Amount Intervals	Authors	Publishers	Total	DKK
1 - 1,000	5,425	132	5,557	1,483,867
1,001 - 5,000	2,622	70	2,692	6,575,376
5,001 - 10,000	933	23	956	6,858,237
10,001 - 30,000	995	47	1,042	17,799,444
30,001 - 50,000	310	22	332	13,016,525
50,001 - 75,000	174	7	181	11,157,886
75,001 - 150,000	181	15	196	20,059,246
150,001 -	117	28	145	69,181,524
Total	10,757	344	11,101	146,132,107

NCB 2004

Amount Intervals	Authors	Publishers	Total	DKK
1 - 1,000	1,668	64	1,732	608,581
1,001 - 5,000	1,254	55	1,309	3,051,870
5,001 - 10,000	352	25	377	2,702,544
10,001 - 30,000	375	38	413	6,877,712
30,001 - 50,000	111	15	126	4,825,931
50,001 - 75,000	53	6	59	3,596,057
75,001 - 150,000	61	5	66	6,851,321
150,001 -	31	12	43	18,283,128
Total	3,905	220	4,125	46,797,143

especially composed for telephone lines among other things, music in movies, background music in shops, restaurants and in discotheques, private copying compensation and first performance awards.

DANISH MUSIC IS PLAYED INTERNATIONALLY

“Music know no borders” – this is truer than ever for Danish music. More Danish music is played abroad allocating more income to more and more Danish rightsholders. Totally the payment will be larger: In 2004, we received 30 m DKK on 26.4 m DKK in 2003. 3,601 Danish rightsholders were paid for the use of their music and lyrics abroad. 35 of them received more than 100,000 DKK. We also pay many small amounts, and we still hear from our members that small amounts are also satisfying as they are the cash proof and recognition of an interest in using their music around the world.

Primarily major pop and rock hits bring in income from abroad. But also outstanding composers within score music and evergreens such as Tango Jalousie by Jacob Gade bring in substantial amounts of money from abroad. The popularity abroad of Danish film and TV productions has also had a positive influence on the income to Danish music composed for these productions.

THE FAEROE ISLANDS AND GREENLAND

KODA's income in Greenland increased by 3.3 per cent to 2.0 m DKK. In close co-operation with our employee in Nuuk we try to conclude as many agreements as possible although the geographical distances hinder the establishment of control activities corresponding to Danish conditions. Also in 2004, KODA in Greenland, the Greenland radio KNR and Qatuaq, the house of culture in Nuuk, arranged the “Play Greenland Day” ending with a TV transmitted gala concert with the presentation of KODA's Greenland Award 2004.

The income in the Faeroe Islands increased by 9.1 per cent to 2.2 m DKK. We have succeeded in increasing the number of customers with background music, which has also resulted in critique from shop owners with background music, who did not understand that music from radio should be paid for when it is used as background music in the shop. We will intensify our information efforts in Greenland as well as in the Faeroe Islands. We have arranged an information and member meeting in Thorshavn in May and a similar meeting is expected to be arranged in Nuuk.

49 countries have sent money to KODA. The largest amounts derive from the countries closest to Denmark, i.e. the Nordic countries, Germany and the UK. But also USA, France and The Netherlands contribute.

KODA's role in relation to the international progress of Danish music is to procure quick and correct payments to KODA members. We make sure that foreign users have easy access to finding information on Danish rightsholders and their works. We approach affiliated societies on basis of information on concrete use of Danish music, typically concerts. When we receive the payments, we immediately re-distribute the money and do not deduct amounts for KODA's work in this area.

KODA's CONTRIBUTION TO DANISH MUSIC

Blank tape remuneration & funds for cultural and social purposes

In excess of remuneration to individual members, KODA supports Danish music in other ways. The funds distributed to the music scene are first and foremost the funds for cultural and social purposes, which is 10 per cent of KODA's music income. In 2004 it was 34.5 m DKK.

THE 10 MOST PLAYED DANISH COMPOSITIONS ABROAD

Title	Composer/songwriter	Solist
MOVE YOUR FEET	Jesper Mortensen	Junior Senior
TANGO JALOUSIE	Jacob Gade	
SUPERSTAR	Cutfather/Joe Belmaati/Remee	Christine Milton
SMUK SOM ET STJERNESKUD/ FLY ON THE WINGS OF LOVE	Jørgen Olsen	Brdr. Olsen
SHA-LA-LA-LA	Torben Lendager/Poul Dehnhardt	Walkers
PLAYED ALIVE	Uffe Savery/Morten Friis/Michael Parsberg	Safri Duo
SUNSHINE REGGAE	John Guldberg/Tim Stahl	Laid Back
GUANTANAMO	Isam Bachiri/Jeppe Bisgaard/Yadam Gonzales/ Saqib Hassan/Waqas Qadri/Lenny Martnez	Outlandish
THE MUSIC'S NO GOOD WITHOUT YOU	James Thomas/Cher/Paul Michael Barry/ Mark Taylor	Cher
THANK YOU	Peter Biker/Jamelia/Soulshock	Jamelia

International Accountings

	2003-2004 Received 2004 FROM	+/- %	2003-2004 Allocated 2004 TO	+/- %
Nordic Countries				
STEF, Iceland	–		210,929	-9%
STIM, Sweden	7,109,346	-2%	60,796,856	-5%
TEOSTO, Finland	2,063,952	24%	1,073,532	-29%
TONO, Norway	3,531,317	-6%	3,245,186	3%
Total Nordic Countries	12,704,616	0%	65,326,504	-5%
USA				
ASCAP	1,027,278	73%	22,793,241	-9%
BMI	592,030	-16%	21,996,361	2%
SESAC	0		1,116,061	-7%
Total USA	1,619,308	25%	44,789,602	-4%
EU-countries (minus Sweden and Finland)				
AEPI, Greece	85,007	-14%	37,334	-13%
AKM, Austria	517,786	-10%	597,984	5%
BUMA, The Netherlands	896,374	-11%	859,681	18%
GEMA, Germany	3,764,954	14%	9,977,336	-3%
PRS, United Kingdom	4,042,486	97%	30,942,254	3%
SABAM, Belgium	366,247	31%	545,354	16%
SACEM, France	1,122,781	-22%	8,574,514	-10%
SPA, Portugal	24,825	-43%	47,435	44%
SGAE, Spain	512,659	22%	844,212	9%
SIAE, Italy	706,000	-20%	1,920,563	-9%
ZAIS, Poland	228,080	-23%	100,602	16%
LATGA-A, Lithuania	38,987		9,974	-27%
AKKA/LAA, Latvia	33,372	-28%	16,249	-25%
EAU, Estonia	64,519		83,922	0%
OSA, The Czech Republic	28,866	-14%	161,296	20%
SOZA, Slovakia	12,580	38%	14,849	-77%
ARTISJUS, Hungary	211,490	92%	61,906	-5%
SAZAS, Slovenia	21,525	-68%	24,117	-49%
IMRO, Ireland	234,946	168%	505,499	-1%
Total EU-countries	12,913,482	20%	55,325,082	-1%
Others	2,751,021	62%	10,723,302	47%
Total	29,988,427	14%	176,164,489	-1%

COMPENSATION FOR BLANK TAPES – THE BLANK TAPE FUNDS

The compensation scheme for private copying is administered by COPY-DAN. The funds received from COPY-DAN are called the blank tape funds and are allocated as support to releases of CD productions among other projects. The scheme was introduced in the start of the 90'ies as a consequence of the widespread copying on tapes of music from radio among other media. It was the intention that the scheme should be approx. 100 m DKK of that time to be shared among the rihtsholders. Although home copying since the 1990'ies has increased substantially, and at the same time the copies have become digital thus to a higher extent replacing sales of original CDs, the income has failed significantly.

The unsatisfactory situation is a result of the fact that the Government has not been willing to modernize the scheme by adapting it in line with technological developments to include built-in media and copy devices. Additionally, the Government has chosen significantly to reduce the remuneration rate for blank CDs, which of course has hit the rihtsholders severely.

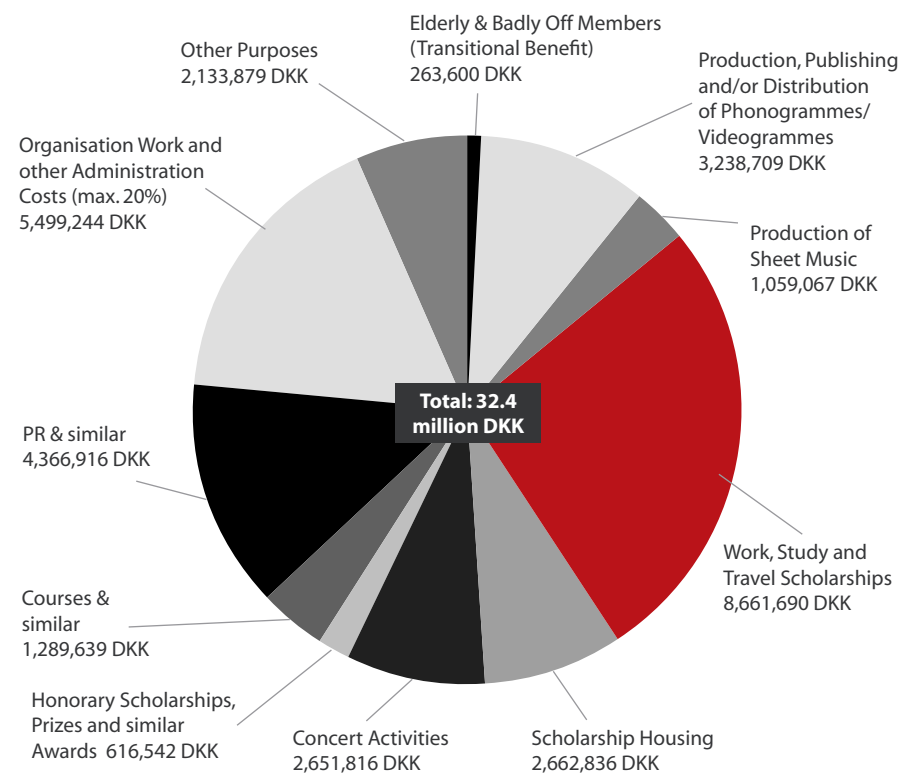
Second, it is one third of the blank tape funds, which in 2004 made up 8.9 m DKK, i.e. in 2005 one third will be distributed for collective purposes.

Play Danish Day and Danish music as export

Again in 2004, KODA arranged a Play Danish Day. The massive backup from Denmark's Radio, municipalities, schools and institutions, the professional as well as the amateur scene united the country on the Play Danish Day 28 October 2004 in one big celebration of Danish music. The Play Danish secretariat is funded by the funds for cultural and social purposes. But also export of Danish music is funded in this way. In 2004, this was done by support to the MXP project where Danish music was presented on DVD to the international market.

Through the funds for cultural and social purposes KODA also supported Pilotradio, the publication of the Annual Music Handbook and arranged courses for Danish composers and songwriters in co-operation with Artlab. In 2004, 30.2 m DKK of the total funds for cultural and social purposes was allocated to The Danish Society for Jazz, Rock and Folk Composers, The Danish Music Publishers' Association, The Danish Composers' Society and The Danish Songwriters' Guild. They used these funds to support music events, courses, CD releases and scholarships, member advising and to the operation of the secretariats.

Breakdown of Funds for Social and Cultural Purposes 2004



Support to CD productions

Through the blank tape funds KODA also supports a number of activities. Two thirds of these funds are distributed according to a distribution plan to KODA's members. One third of the blank tape funds is allocated as support to innovative contributions to Danish music and working

scholarships. But by far the largest part of the blank tape funds is allocated to CD releases, either to debutants or to releases of high musical quality that are estimated not to be able to succeed on commercial terms. The funds for CD releases are called the collective blank tape funds. In 2003, the amount for collective blank tape funds was 4.0 m DKK, which amount was allocated in 2004.

MEDIA

Total media income in 2004, consisting of radio/TV, satellite/cable and Internet (including income from The Faeroe Islands and Greenland and COPY-DAN), was 261.2 m DKK, i.e. 62 per cent of KODA's income exclusive of financial posts). It is an increase of 6 per cent. As media developments have implied that still more rightsholders have their music used, and the payments received must be distributed between more rightsholders, the income development is inadequate.

Radio and TV

Radio generates less than a fourth of the total income from the use of music to KODA's members in spite of the fact that the radio media is the music source playing the most important role for the Danes. The many radio channels offer the users still more options, and the Danes averagely listen to radio music for more than two hours per day. The

MUSIC ON THE INTERNET

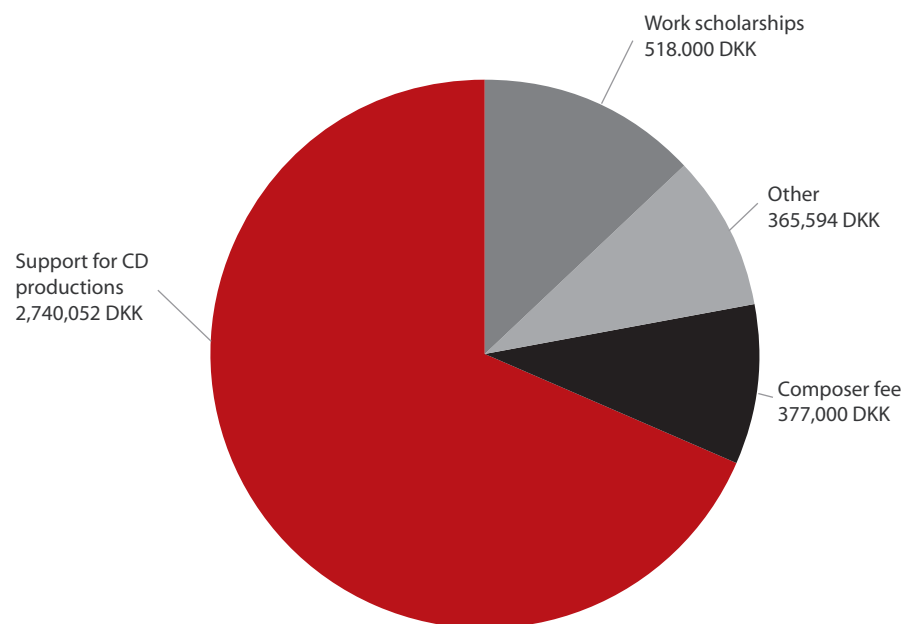
Remuneration for the use of music on the Internet increased by approx. 25 per cent from approx. 3.0 m DKK to 3.7 m DKK (including performance rights in connection with ring tones and downloads of musical works).

reason of the relatively low income in the radio area is that the turnover of the radio trade is out of proportion to the massive music use. The Danish radio advertising market is very difficult, and radio advertising only makes up approx. 2 per cent of the total advertising turnover, which is substantially lower than in other countries. The technical development opens up for many new broadcasting possibilities, and it is therefore necessary to develop new business models. In the long run, it may be expected that financing via subscription income will be necessary.

Paradoxically, the income crisis of the radio trade has resulted in an increased music use, as journalists and radio hosts are much more expensive than playing music. And as increased music use results in more rightsholders sharing the received remuneration, the income crisis results in still lower income per rightsholder.

Similar financing problems in the TV area do not exist, as still more TV channels become subscription channels, and all new TV channels are financed by subscription income. In the TV area, the tendency clearly is increased music use, and KODA's agreements in the TV area have not yet been adapted to the new situation. The increased music use is illustrated by the fact that the music content in films over a period of ten years has increased by 20 per cent. Another problem in

Collective Blank Tape Funds Allocated 2004



the TV area is that still more channels are up-linked from the UK. This means that it is very difficult for KODA to conclude agreements on the payment for the music, also in cases where the TV channels are only broadcast in Denmark. This is very unsatisfying.

Cable TV

The cable TV area still functions well, and the income from this area

is of great importance to Danish as well as foreign rightsholders. Today more than two out of three households receive cable TV via cable networks. The agreements concluded by KODA in this area stipulate that the rightsholders receive a share of the income created by the packaging and re-selling by the cable operators of the TV channels to Danish households. The area is in progress as a consequence of the fact that still more households are getting cable TV and that the increased music

content in TV channels has resulted in increased income.

Denmark's Radio

The agreement with Denmark's Radio (DR) has in the period been unrevoked. As to DR (and TV 2/Denmark) a litigation is pending regarding the consequences of the latest media agreement for the payment of remuneration to KODA. The main issue

in relation to DR is that DR throughout recent years has increased the music use in the radio and TV area, and this has resulted in the undermining of the remuneration to the rightsholders. This cannot be corrected until we have a new agreement, as the present agreement stipulates that KODA receives a percentage of DR's income. We are still without agreement for the DAB radio channels and a number of minor areas. In 2004, DR paid 63.9 m DKK for radio and TV, which is

an increase of 1.9 per cent on 2003. For web casting and music use on www.dr.dk DR and KODA have agreed on a lump sum for 2004.

TV 2/Denmark

In 2004, TV 2/Denmark has paid an on account remuneration of 26.1 m DKK. The amount contains adjustments deriving from 2003. The issue on the final payment for TV 2/Denmark and TV 2 Zulu for 2004 will be decided by the Arbitration Court. We have not concluded an agreement on TV 2 Charlie, and if we cannot agree on the remuneration the issue will be decided by The Danish Copyright Licence Tribunal. In 2004, the agreements with the TV 2 regional stations remain unchanged. The payment has decreased by 1.4 m DKK, as there have been no adjustments from previous years.

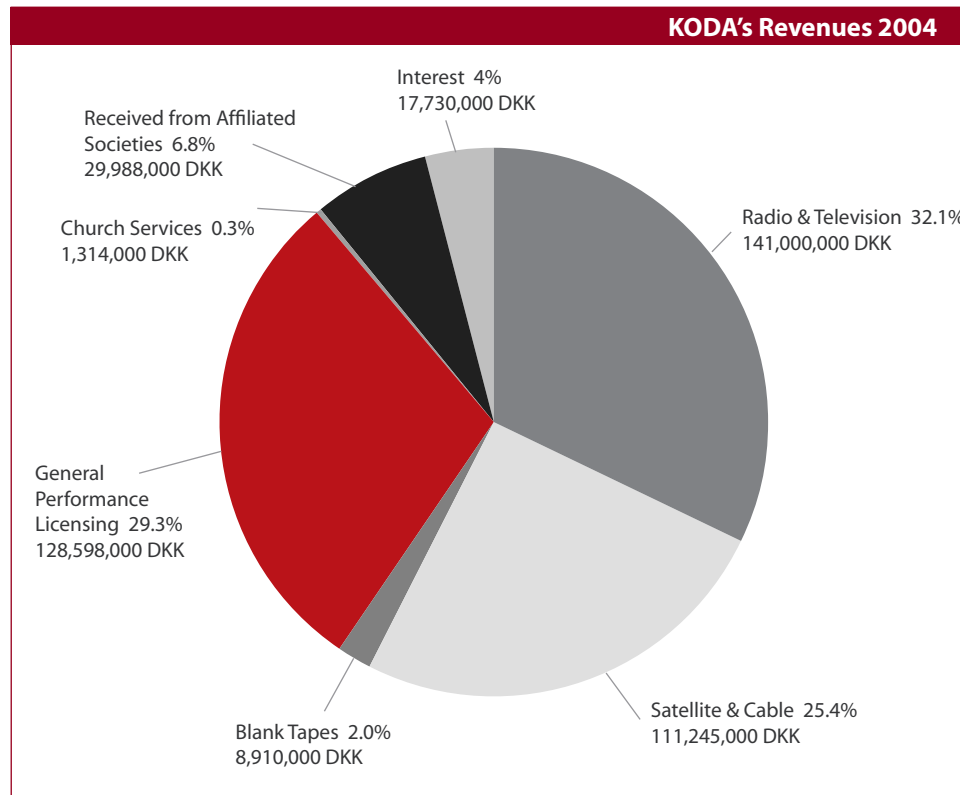
new, the agreement also includes the local broadcasts in Copenhagen, which partly gives a larger economic transparency and partly more precise distributions to the members. The agreement stipulates that TvDanmark shall pay a percentage of the turnover for the use of the music. The payment level corresponds to the previous level, as the local turnover is included in the calculation basis. In the remaining local TV area the agreement in force is still unrevoked.

Sky Radio and Radio 100 FM

2004 was in the radio area characterized by changes. 2004 was the first whole year with the new partly national radio channels Sky Radio and Radio 100 FM. KODA has concluded an agreement with Sky Radio containing an irrevocable period till 1 January 2010. The agreement stipulates that Sky Radio shall pay a percentage of the income, and at the same time we have agreed on annual minimum payments. The agreement follows the principles, which have previously been in force regarding KODA's agreements in the radio area. We have not succeeded in obtaining an agreement with Radio 100 FM, and consequently the case has been brought before The Danish Copyright Tribunal. The 2004 income was influenced by Radio 100 FM only paying an on account amount.

TvDanmark

In 2004, KODA concluded an agreement with TvDanmark, which among other things had the effect that the case before The Danish Copyright Licence Tribunal was stopped. The agreement was negotiated for a very long period, and we believe that the relationship with TvDanmark will be stable for some years to come. As something



Private local radio

Since 2002 a court case has been pending where the organisations of the private local radios on behalf of a number of concrete private local radios have brought the decision of The Danish Copyright License Tribunal regarding the private local radio tariffs before the Eastern District Court. However, in the summer of 2004 the organisations of the private local radios chose to cancel the court case and thus recognize the tariffs and terms decided by The Danish Copyright License Tribunal.

The private local radios broadcasting Radio 2 and Voice have chosen to go against their own organisation, and thus they continue not to respect the decision of The Danish Copyright License Tribunal. Consequently, there are still pending a number of court cases involving these local radios and SBS Radio A/S, which in fact operates the private local radios in question.

Internet

In 2004, the legal download services got started for real. First, Dansk Supermarked opened virtual music shops on the websites of the super markets Bilka, Føtex and A-Z. Then followed Den Blaa Avis, Jubii! and CDON (which is behind the

music service of MSN in the Nordic countries). Thus, 2004 was the year where the digital download market offered many alternatives to the many illegal file sharing services.

Phonofile and library lending

A common denominator for the download services on the Danish market is that they all, till today, are based upon the Phonofile database, which has digitalised a substantial part of the Danish music.

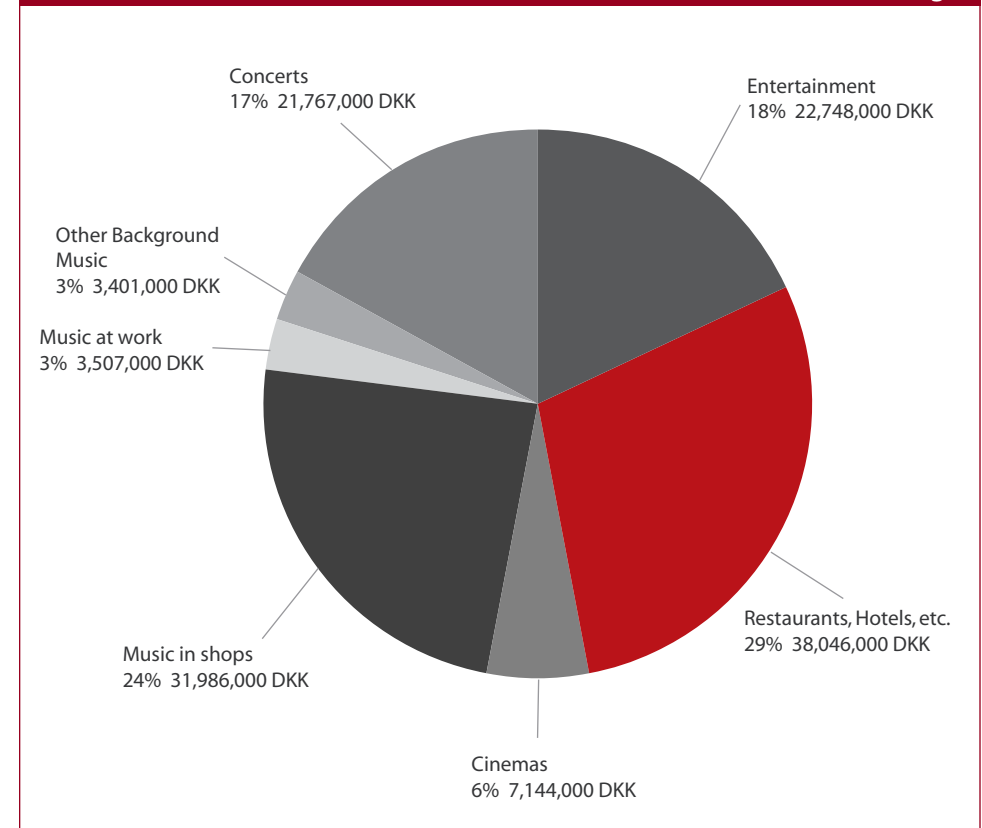
The Phonofile database also contains an extensive international repertoire, and the supply of the digital download services are about to catch up with the availability to be found on the file sharing services. It is satisfying that Phonofile with its large Danish repertoire is the leading underlying supplier on the Danish market. The top-ten-lists of the most sold downloads on Danish download services primarily consist of Danish releases although the services offer download of thousands of musical works from the international repertoire.

Phonofile also supplies the underlying database to the digital lending project of the libraries, where it in September 2004 on www.musikbibliotek.dk became possible to "lend" digital musical works for one day or one week. The lending is free of charge, and when the lending

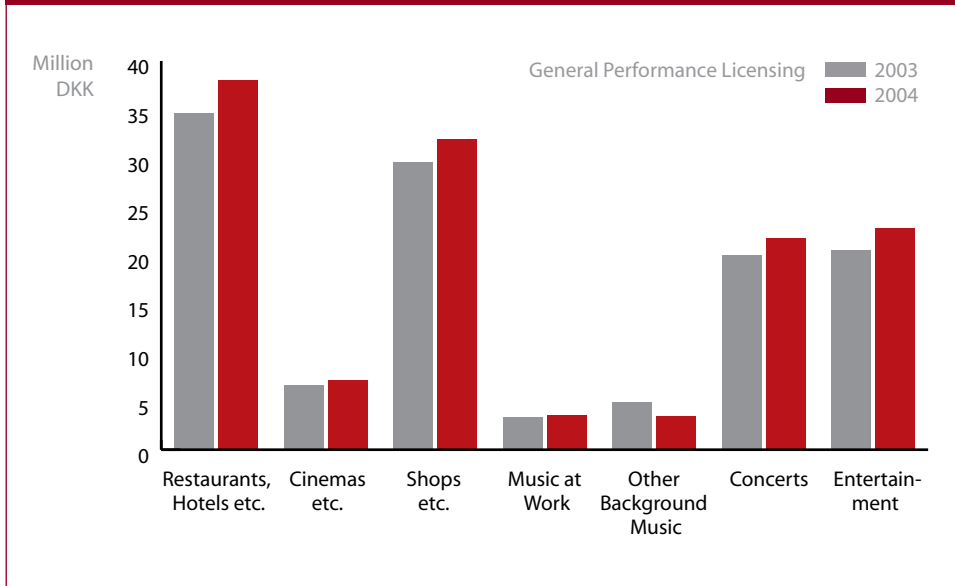
period expires it is no longer possible to use the lendable file. With the digital lending project of the libraries another step has been taken towards a further digitalizing in our society, and the Danish libraries have confirmed their position as frontrunners of the digital information distribution. There are still no signs of the international download services' entry in Denmark. Apple's iTunes is

the leading international download service, which long ago reached 250 million downloads. In excess of the MSN download service the international download services are not available to Danish users, and Apple has announced that iTunes will hardly be available in Denmark in the near future, as Apple aim at countries where the Euro has been introduced as common currency.

Licence Revenues 2004 – General Performance Licensing



KODA's Revenues 2003-2004



Piracy

Again in 2004 piracy attracted attention in the media headlines, and the file sharing services attracted the most attention. The joint strategy of the music trade towards the users – through the Anti-Pirate Group among others – has contributed to slightly reduce the availability and exchange of musical works. But a long way still lies ahead: The total number of infringing music files in the music sharing files is estimated to be 760 million (approx. 800 million in 2003).

Fixed tariff for download

Throughout several years KODA/NCB have had a download tariff according to which the authors share a royalty of 12 per cent of the download price with a guaranteed minimum price of 0.2 Euro per download. Upon request by the record companies the minimum royalty was reduced to 0.1 Euro.

Nevertheless, the multinational record companies explicitly refuse to license their own rights to the suppliers if the suppliers have an agreement with us on the tariff level stated. In addition to the record companies' refusal of the price, they demand access to resell the rights

of the authors to the suppliers. This is paradoxical, as the record companies do not supply the music, and thus they are not to manage the composer and songwriter rights.

It is unambiguously the multinational record companies who prevent a more permanent download agreement, which is illustrated by the fact that they in several cases have submitted their demands in situations where KODA/NCB already have agreements with the suppliers.

The situation is totally unreasonable and unacceptable, and we continue our efforts to establish a tariff level securing the creative artists a reasonable payment.

CONCERTS AND MUSIC IN RESTAURANTS, CINEMAS ETC.

At the turn of the year 2003/2004 we split up our licensing department to strengthen our customer relations – into Market Development and Licensing, respectively. Market Development, consisting of three employees, is responsible for all negotiations in the licensing area, market analyses, campaign plans in new market areas and finally music in theatres.

Totally the income from restaurant and background music, live music etc.

increased by 7.5 per cent to 128.6 m DKK. To this must be added that KODA collected 53.5 m DKK to Gramex to be distributed to performing artists and record producers.

Restaurants, discotheques and cafés

In 2004, Horesta and KODA concluded a new agreement on remuneration in connection with music played at hotels, restaurants, discotheques and dance halls.

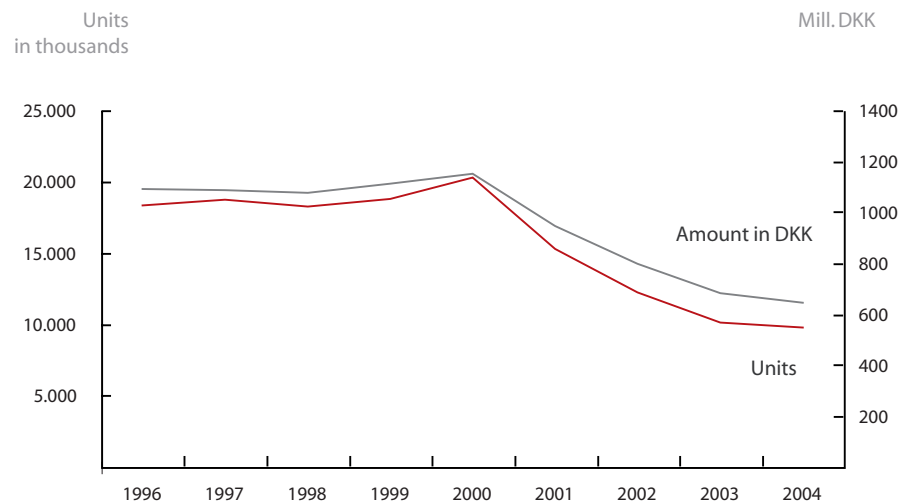
The background music prices have been levelled to the effect that the price per square metre is more or less the same notwithstanding the size of the premises, i.e. small shops pay less and major companies pay more.

The agreement has resulted in more income from entertainment and dance music and live music. Further we collect 10 per cent in addition for the use of TV as background music in hotels and restaurants.

The agreement has resulted in an income increase of 7.7 per cent for the area.

Also the cinema and film performance income increased by approx. 7 per cent which is a significant increase compared to previous years. The increase is due to a larger supply and a growing interest in watching movies in cinemas.

Phonogram Sales in Denmark 1996-2004



Source: IFPI. IFPI Denmark's members consist of Danish and foreign record companies whose turnover makes up approx. 95-98% of the CDs sold annually in Denmark.

Background music

The background music income increased by 2.8 per cent. In this connection it should be noted that the background music income in shops and stores in 2004 passed 30 m DKK with an income of 31.9 m DKK on 29.5 m DKK in 2003. This is partly due to the fact that more shops have become aware of the value of music and partly a general increase in the retail trade.

Concerts and entertainment arrangements

Again we see an increase in concert and other entertainment arrangements appearing from the increase of 4.9 per cent. The market for live music entertainment is generally increasing, and we expect the increase to continue in this area. Entertainment in general increased by as much as 26 per cent, which can be attributed to the efforts in the aerobic and theatre areas.

Concert halls for rhythmic and subsidised music

In October 2003, The Danish Copyright License Tribunal decided that the concert halls for rhythmic music over a six years escalating period (2001-2006) should end by paying 5.5 per cent of the box-office receipts and public and private subsidies. After the decision of the Tribunal KODA and the concert halls made an agreement according to which KODA abstained from an adjustment for the past period, and the parties agreed on a gentle transition period to the new tariff. At the same time, we started negotiations on the possibilities of alternative calculation models, and the future terms of the subsidised concert halls were discussed seen in the light of the decision by the Tribunal. These negotiations have not yet been finished.

Music in connection with gymnastics and other sports

In May 2004, The Supreme Court decided that music at gymnastics and training is not to be considered as public performance, and consequently no payment to rightsholders is involved. It was decisive for the majority (three against two) that the associations involved in the case were not commercial, that the income mainly derived from member subscriptions and public subsidies and

that the operation to a great extent was based on voluntary and unpaid work by members. KODA has great respect for association activities and thereby the viewpoints upon which the majority have based their decision. But seen in the light of the massive music use and that the consequence of the decision is that gymnastics clubs do not at all contribute to the music, we find reason to regret the result. Without a common collection basis a narrowing of music life will slowly take place.

From the positive point of view we can mention that KODA as of the season 2004/2005 has made new agreements with The Danish Handball Union and The Danish Ice Hockey Union. We have also made agreements with The Danish Gymnastics and Athletics Union and Flying Superkids on music at gym shows.

Music at work

We have made a two-year agreement with The Confederation of Danish Employers on music at work. The prices for 2004 and 2005 are agreed at 27.30 and 28.00 DKK per employee per year, respectively. The agreement applies to companies using music as entertainment for the employees. Remuneration must be paid when 40 or more employees have access to listen to the music.

NORDIC COPYRIGHT BUREAU (NCB) IN DENMARK

The total 2004 collection of Nordic Copyright Bureau (NCB) was 496 m DKK, a decrease of 7 per cent compared to 531 m DKK in 2003.

The 2004 collection for phonogrammes in 2004 made up 83 per cent of NCB's total collection.

The 2004 online collection increased, as NCB collected approx. 23 m DKK on 20 m DKK in 2003 for download services including MPRT (70 per cent mechanical share).

In 2004, the audiovisual area showed a slight growth to approx. 19 m DKK.

The total 2004 distribution of NCB was 494 m DKK (after commission 456 m DKK).

The collection for mechanical rights in Denmark decreased by 10.9 per cent (12.4 per cent in 2003) from 112.9 m DKK to 100.6 m DKK. The development is a result of the collection decrease for phonogrammes from 99 m DKK to 86.6 m DKK. The collection in other areas is about status quo.

The sale of phonogrammes on the Danish market is further reduced in 2004 by approx. 7 per cent to 9.8 m DKK, and thus the dramatic reduction of the CD sales continues, which has taken place since 2000, where the sale was approx. 20.3 million copies. At the same time, the turnover has decreased

from approx. 1.2 b DKK to 645 m DKK.

Especially the international repertoire was affected by the decrease in 2004, whereas the Danish repertoire to a higher extent maintained its ground. In NCB it was noted that the total distribution to Danish rightsholders increased to 46.7 m DKK from 40.1 m DKK in 2003. The 2004 distribution to Danish rightsholders is back to the level of 2002. 10.6 per cent of NCB's total distribution was distributed to Danish rightsholders on 8.2 per cent the previous year.

The international BIEM/IFPI agreement

Traditionally, the payment for recording and multiplication of music on records etc. has been based on an agreement between on the one side BIEM as representative of the mechanical rights' societies and on the other side IFPI, the international union of the record companies.

The latest international agreement expired in the middle of 2000, but until now it has been possible to maintain the terms in NCB's collection area and in most other countries. For instance in the form of agreements with the individual phonogramme producers. Thus, the basic terms have continued to the effect that the producers pay a remuneration of 9.009 per cent of the wholesale price (the PPD price = price published to dealer).

Music DVDs is a media in growth, which has not been included in the previous agreement between BIEM and IFPI. NCB has tried to maintain a tariff of 9.009 per cent of the PPD so that it corresponds with the terms of physical CDs. In 2004, however, this tariff has met more and more resistance from the Nordic IFPI groups, who under influence by the largest record companies have not been willing to accept a tariff of more than 6.5 per cent of the PPD.

On this background, NCB has chosen to maintain the payment of 9.009 per cent of the PPD of which only 6.5 per cent is re-distributed to the rightsholders. NCB has declared that they are willing to refund to the producers retrospectively as of 1 July 2003 the difference between the collected amounts and the remuneration corresponding to a possible agreement concluded later on in the music DVD area, however not exceeding the difference between 9.009 per cent and 6.5 per cent.

The question on tariff fixing for music DVDs will also be included in the negotiations between BIEM and IFPI.

Online area – cross-bordering licensing

In the online area in 2004 approx. 33 m DKK was collected in NCB in co-operation with the respective performing rights societies (in 2003

totally approx. 29 m DKK). Thereof the largest part was collected in Finland, Norway and Lithuania. The figures stated are the sum of mechanical rights and performing rights. Of the collected amounts approx 17 m DKK concern download within the NCB territory. As a main rule, the collection takes place in accordance with the local society, and either the Pan-European tariff or the local tariffs are used.

NCB prospects for the future

After a couple of difficult years around the turn of the millennium, NCB's equity capital has now been re-established. This is not least due to the rationalisation plan, including reduction of staff with 25 employees, which was initiated in the year 2000.

There are certain signs that the phonogramme market is about to improve, and on basis of the prognoses available the budget for 2005 includes a total collection of 472 m DKK, a reduction of approx. 5 per cent compared to 2004. The market development implies a movement towards areas with a higher administration share to NCB, which will improve the economy – other things being equal.



annual accounts

Copenhagen
2nd March 2005

Management
Niels Bak

Profit and Loss Account for the Year Ended 31st December 2004

Note	2004	2003
1 Licence Revenues, Denmark	377,962,098	351,009,696
Licence revenues, Blank Tapes	8,909,625	12,275,793
Licence Revenues, The Faeroe Islands	2,174,193	1,992,530
Licence Revenues, Greenland	2,020,950	1,955,540
3 Licence Revenues Affiliated Societies	29,988,427	26,397,222
	421,055,293	393,630,781
2 Administration Costs	48,083,003	45,283,562
Result before Interest etc,	372,972,290	348,347,219
Net Income from Interest	17,730,037	15,370,902
Result before tax	390,702,327	363,718,121
Company Tax	-	-
Result	390,702,327	363,718,121
The distribution is made up as follows:		
3 Licence Revenues Affiliated Societies	29,988,427	26,397,222
Funds for Social and Cultural Purposes	34,491,434	31,937,445
Collective Blank Tape Remuneration	3,034,186	4,014,842
7 Balance for Distribution	323,188,280	301,368,612
	390,702,327	363,718,121

rate of exchange

Currency	100 DKK
US Dollars	18.29
UK pounds	9.53
Euro	13.44

31 December 2004
Source: Den Danske Bank

Auditors' Report

We have audited KODA's annual accounts for the accounting year 2004.

The management of the society is responsible for the annual accounts. On basis of our audit it is our responsibility to express a conclusion on the annual accounts.

Audit

We have performed the audit in accordance with Danish audit standards. These standards demand that we plan and perform the audit to ensure that the financial statements are free from material errors. The audit comprises examination of information on sample basis supporting the amounts and information stated in the accounts. Further the audit comprises an assessment of the accounting practice and judgements adopted by the management together with an evaluation of the total presentation of the accounts. In our opinion the audit performed gives an adequate basis for our conclusion.

The audit has not caused reservations.

Conclusion

In our opinion the accounts give a true view of the assets, liabilities and financial statements as at 31st December 2004 of the society and of the result of the activities of the society for the financial year 2004 in accordance with KODA's By-laws and the legal requirements for presentation of accounts.

Copenhagen, 2nd March 2005
PricewaterhouseCoopers

Per Værndal
State Authorized Public Accountant

Anders Røjleskov
State Authorized Public Accountant

Balance Sheet at 31st December 2004

ASSETS

Note	2004	2003	
	Liquid Funds	99,007,091	62,087,035
	Accounts Receivable	3,684,656	8,084,824
4	Bonds	62,906,440	61,727,201
4	Unit Trust Certificates	207,072,198	196,320,488
5	Property	71,434,345	71,434,345
6	Operating Equipment	1,989,182	1,805,426
	Accrued Interest	121,690	3,388
	Accrued Income and Deferred Expenses	849,488	602,825
	Total Assets	447,065,090	402,065,532

LIABILITIES

	Funds for Social and Cultural Purposes	35,599,051	33,428,284
	Collective Blank Tape Remuneration	6,749,410	7,297,025
	Other Collective Purposes	1,214,343	1,017,345
	Licence Revenues Affiliated Societies	8,057,323	6,998,078
	Non-distributed Amounts etc,	48,094,925	40,514,026
	Mortgage Debts	194,314	200,365
	Eccrued Expenses and Deferred Income	6,128,725	295,280
	Other Accounts Payable	9,742,948	5,095,660
7	For Distribution	331,284,051	307,219,469
	Total Debt	447,065,090	402,065,532
	Total Liabilities	447,065,090	402,065,532
8	Contingent Liabilities etc,		

Notes to the Accounts

1 Licence Revenues, Denmark	2004	2003	2 Administration Costs	2004	2003
Radio and TV	245,472,334	228,000,090	Staff Costs	38,270,325	35,750,390
Internet	3,513,077	2,853,274	<i>Fees</i>		
Cinema and Film Performances	7,110,461	6,613,233	Council	1,210,832	1,188,467
Restaurants, Hotels and Ships	37,469,374	34,168,945	Evaluation Committee	38,172	61,853
Shops and Stores	31,911,358	29,529,501	Legal Assistance	1,392,256	810,759
Music at Work	3,506,759	3,371,382	Audit	249,079	251,047
Music in Aeroplanes	1,206	1,437,226	External Consultants	272,982	260,088
Music in Coaches	774,476	755,402	Control and PR Costs	1,341,623	973,214
Miscellaneous	2,625,350	2,673,368	Travels and Representation	1,651,044	1,587,796
Background Music	38,819,149	37,766,879	Premises	415,269	215,066
Concerts	23,560,260	21,292,255	<i>Office Expenses</i>		
Indoor Entertainment < 200 Persons	2,311,393	2,548,092	Office Supplies, Printed Matters etc,	1,411,243	1,268,096
Outdoor Entertainment > 200 Persons	4,814,219	5,193,286	Telephone	467,036	369,095
Outdoor Entertainment	1,013,079	1,171,850	Transportation	11,217	36,077
Associations	872,371	841,366	Bank Charges	79,920	82,170
Single Events	32,571,322	31,046,849	Postage	1,755,446	1,748,436
Exhibitions/Fairs	201,200	240,094	Insurances	164,801	120,944
Sports Events	4,618,358	3,872,386	Subscriptions (CISAC etc,)	629,430	680,521
Amusement Parks	2,202,725	2,300,996	External Registers	527,716	191,488
Circus	299,037	225,456	IT, Operating Costs re Entries	323,891	242,941
Music in Theatres	2,024,454	340,770	IT, Operating Costs	1,850,320	2,846,890
Schools and High Schools	2,346,875	2,292,799	IT, Systems and Installations	1,077,818	1,229,866
Entertainment in General	11,692,649	9,272,501	Maintenacne of Equipment and Minor Purchases	174,217	311,929
Church Services	1,313,732	1,287,925	Miscellaneous	12,295	13,907
Licence Revenues, Denmark	377,962,098	351,009,696	Depreciation	507,544	487,294
			Cost Reduction	-5,751,473	-5,444,772
			Administration Costs	48,083,003	45,283,562

3 Licence Revenues Affiliated Societies	2004	2003
Licence Revenues from Cable Retransmission of Danish Radio and TV Abroad	1,507,159	1,383,773
Other Revenues Affiliated Societies	28,481,268	25,013,449
Licence Revenues Affiliated Societies	29,988,427	26,397,222
4 Bonds and Unit Trust Certificates		
Cost Price as at 1 January	254,881,159	282,953,260
Inflow of the Year	74,792,150	163,483,975
Outflow of the Year	-62,000,000	-191,556,077
Cost Price as at 31 December	267,673,309	254,881,159
Revaluations and Depreciations as at 1 January	3,166,530	4,370,125
Revaluations and Depreciations of the Year	-1,134,001	429,064
Revaluations and Depreciations re Outflow	272,800	1,632,661
Revaluations and Depreciations as at 31 December	2,305,329	3,166,530
Book Value as at 31 December	269,978,638	258,047,689
Unit trust certificates are an allocating unit trust where the underlying portfolio only consists of bonds.		
5 Real Property		
Cost Price as at 1 January	71,596,960	71,596,960
Inflow of the Year	0	0
Cost Price as at 31 December	71,596,960	71,596,960
Depreciations as at 1 January	162,615	162,615
Depreciations of the Year	0	0
Depreciations as at 31 December	162,615	162,615
Book Value as at 31 December	71,434,345	71,434,345
Cash Property Value as at 1 January	70,300,000	67,150,000

6 Operating Equipment	2004	2003
Cost Price as at 1 January	17,873,432	17,338,777
Inflow of the Year	691,302	534,655
Outflow of the Year	1,502,648	-
Cost Price as at 31 December	17,062,086	17,873,432
Depreciations as at 1 January	16,068,008	15,580,712
Outflow	1,430,499	-
Depreciations of the Year	435,395	487,294
Depreciations as at 31 December	15,072,904	16,068,006
Book Value as at 31 December	1,989,182	1,805,426
7 For Distribution		
For Distribution acc, to Profit and Loss Account	323,188,280	301,368,612
Unplaceable Remuneration as at 1 January 2005	4,343,685	2,011,228
Refunds Danish Authors' Association 2003	1,075,264	1,056,355
Shares in Public Domain	2,676,822	2,783,274
For Distribution	331,284,051	307,219,469
8 Contingency Liabilities etc,		

The estimated capitalized value of pension commitments amounts to DKK 2,021,100.

Leasing contracts concerning computer equipment were concluded, The commitment amounts to approx, DKK 297,000 spread over the following two years.

The holiday allowance commitment for salaried staff amounts to DKK 4,110,000.

A guarantee of DKK 200,000 has been deposited.

Commitment concerning rental property:

- indoor maintenance of rental property amounts to DKK 80,189.

Accounting Principles

The annual accounts are prepared in accordance with the following accounting principles identical with the principles of the previous year.

Profit and Loss Account

Income Criterion

KODA's licence revenues are allocated to net income according to the cash principle with the result that solely realised revenues are included in the profit and loss account.

Balance Sheet

Real Property

Buildings and land have been entered at initial costs less the profit margin realised from previously sold property and depreciations on buildings made until 1994 inclusive.

Since 1995 no depreciations on property have been made, as it is assumed that the value of the property is preserved by the current maintenance.

Operating Equipment

Operating equipment is entered at initial costs less depreciation.

Depreciations are appraised in accordance with the reducing balance method, according to which depreciations are appraised up to 25 per cent of the net book value.

Bonds and Trust Fund Certificates

The bond holdings and the trust fund certificates are assessed at the market value of the accounting day.

Unrealised capital gains/losses at the accounting day and realised capital gains/losses from sales and drawings of bonds are included in the profit and loss account under "Net Income from Interest".

