



# Annual Report **2013**



**koda**®

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THE MANAGING DIRECTOR

# Record results and investments

**Koda enjoys one record-breaking year after another. In 2013 the turnover reached yet another record high at EUR 103 million, leading to massive distributions. The results for 2013 represent an 8 per cent increase compared to the results for 2012, and at the same time Koda succeeded in keeping the costs of administration at a historically low level. Managing Director Anders Lassen is very satisfied with these results and now aims to invest in order to ensure continued growth.**

In 2013 Koda was able to pay out more money to all rights holders than ever before, including music publishers, members, and other collective rights management societies.

Koda's total income for 2013 came to EUR 103 million, which is a EUR 8 million increase compared to the income generated in 2012.

To provide some context for these figures, the 2003 turnover was EUR 53 million, meaning that Koda has almost doubled its turnover within a decade.

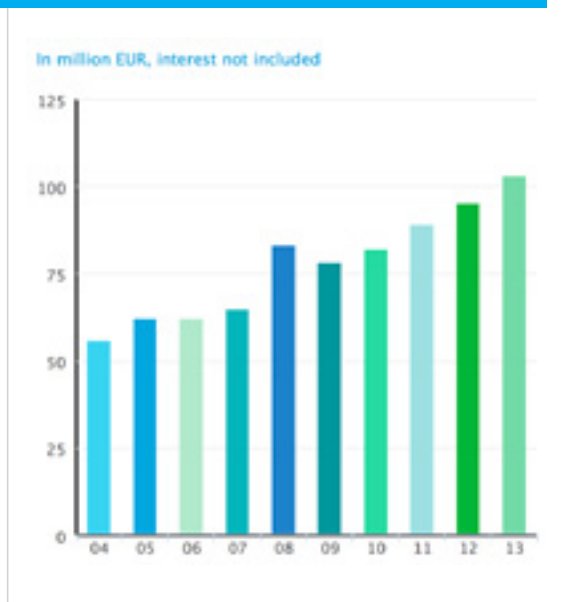
"The results for 2013 are very satisfactory and see us reaping the rewards of our keen focus on improving efficiency in recent years. In the past, increases in income were matched by corresponding increases in costs, but we have broken this trend: we are proud of the fact that we have been able to maintain costs at a steady level while experiencing a very considerable increase in income.



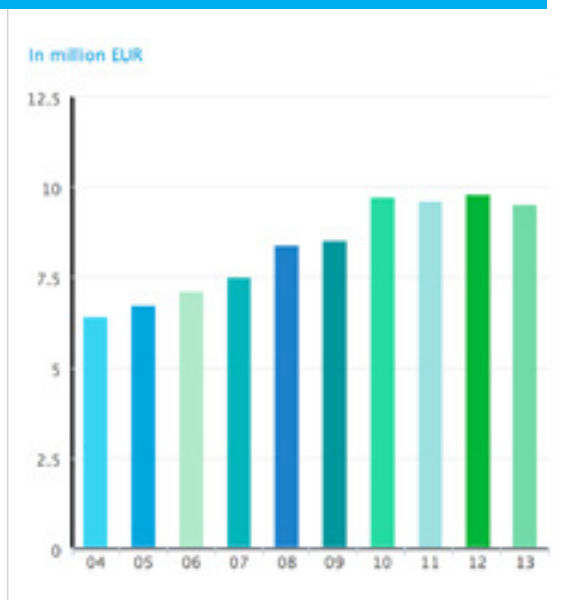
Anders Lassen, Managing Director of Koda, presents record-breaking results: for the first time ever the annual income generated exceeds EUR 100 million, and he has set new targets for 2014.



## Koda's total income 2004-2013



## Koda's expenses 2004-2013



This has enabled us to push our administrative expense rate down to an historically low level, putting our rate amongst the most advantageous amongst all the collective rights management societies in the world," says Anders Lassen, Managing Director of Koda

In 2012 the administrative expense rate fell below 10, and in 2013 it plummeted to just 9.1 per cent.

### Searching for new sources of income

However, Anders Lassen emphasises that one should look beyond the simple figures.

"It is important to keep in mind that we are paying out more and more to the rights holders. Baseline growth is a more important parameter for us than a low administrative expense rate in itself. The excellent results for 2013 enable us to pay out more money than ever before, and that is the most important thing for us. We have been put on this Earth to ensure that songwriters, composers, and their music publishers can generate fair incomes for themselves. We want to keep costs firmly in check, but on the other hand we should beware of false economies where we scrimp and save ourselves to death: that is why we in 2014 will make certain investments, i.a. in order to collect more money for rights holders from background music. Over the course of the last couple of years we have cast a wide and finely meshed net out across restaurants, cafés, and shops, and in 2014 we will allocate further resources to this task, approaching potential clients with good arguments about why they should use music to generate greater value. Background music is one of the basic business areas that Koda has made a living from in decades, and we should not forget this in all the excitement about the income generated by new technologies," says Anders Lassen.

For Koda's current success is very much due to the fact that media consumption has exploded; we are paying for more music and entertainment on mobile devices such as smartphones and tablets.



## Culture promotes growth

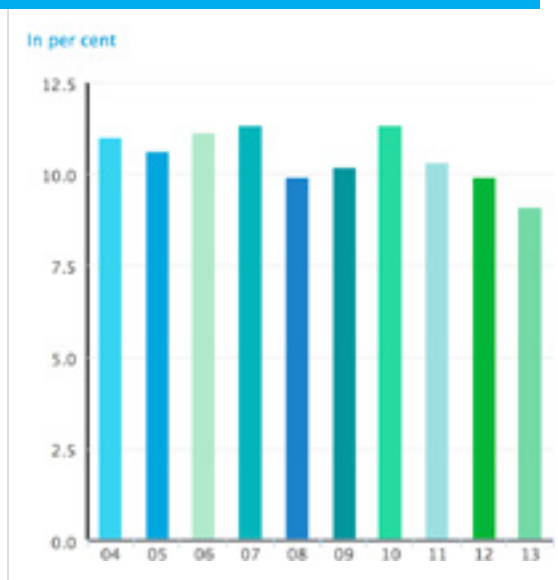
"In any industry the sources of income will shift and change over time, and within the music industry there has been a dramatic shift away from business-to-consumer (B2C) towards business-to-business (B2B). B2C denotes the share of music that is bought directly by consumers, e.g. a CD from a record company. Such sales have decreased greatly, while B2B sales have increased greatly. Examples of B2B sales include rights sold by Koda to everything from TV networks to hairdresser's salons. We benefit from the fact that music has crept into every corner of our everyday lives: music is featured on a vastly growing number of TV stations, streamed via mobile phones, it is on social media, in advertisements, in films, etc. However, in 2013 Koda also saw major growth within the field of concerts. This fact demonstrates that the much-discussed "experience economy" is a real factor – and one whose importance is on the rise. The Danes increasingly set out to enjoy unique experiences such as concerts, festivals, shows, theatre, and film," says Anders Lassen.

He points to how the total number of jobs within the EU has fallen since the onset of the credit crunch in 2008, but that employment within the creative sectors has risen within the same time span.

## The fight for copyright

"The experience economy is part of what we will make a living from in the future. The realm of culture is not simply a fragile niche that depends on lots of public-sector funding. The creative sectors also help generate jobs, profits, exports, and growth. We are striving to introduce this mindset to politicians who have previously seen the creative sector as a "victim industry". I feel that our efforts to set such a positive agenda are making good progress. Hopefully, the end result will be that politicians will take steps to safeguard copyright. Without copyright our members will no longer have a viable way of generating an income; their foundations for making a living would be eroded. For this reason Koda is very active within e.g. GESAC, which fights for copyright, and we present our position in Denmark and Brussels on a regular basis. In fact, we may have greater influence within that field than the small size of our country would suggest," says Anders Lassen and continues:

Koda's administration costs 2004-2013



“We hope for continued growth in 2014. It is very difficult to make predictions that reach any further than that, for huge potential pitfalls are lurking in the universe inhabited by Koda. Reality can shift and change drastically almost overnight with new changes in legislation and technology. EU is revising copyright legislation, and this may have a tremendous adverse effect on us if file sharing is made legal or if the EU changes the rules for cable TV. However, we have learnt to stay alert. We are in the eye of the storm when the technological, social, legal, and political winds of change are blowing, for they all affect us directly,” says Anders Lassen.

## Improved public image

Since Anders Lassen became Managing Director in 2010, the public image of Koda has undergone a change: the barometer used to point to “stormy”, but now it points to “fair”. In the years preceding Anders Lassen’s appointment, an external consultant concluded that Koda’s image amongst the general population was rather like that of Darth Vader.

“Polls show that our image – within the media and the general population alike – has taken a marked turn for the better within the last two years. We may not quite be Luke Skywalker yet, but we are striving to become a kind of Yoda figure,” says Anders Lassen jokingly, referring to the wise mentor in Star Wars who helps the hero succeed:

“If there is a general positive attitude towards Koda’s work, then we have an excellent starting point for setting up good agreements and for gaining political support. Some collective rights management societies hold the view that you cannot be popular and create results at the same time. I believe that our success proves that claim wrong. I hope that our growing popularity is due to the fact that we have joined the music industry as such, and that we are reaching out to those who have traditionally been regarded as our opponents, e.g. the record companies. We cannot and should not simply lurk in our own corner, optimising our own particular field

– rather, we should jointly work to create an even bigger cake, making the slices bigger for everyone,” says Anders Lassen, who wants to maintain Koda’s position as one of the world’s best collective rights management societies.

## More efficient IT development

“We need to be so if we wish to continue to represent music publishers and foreign collective rights management societies, who of course have the opportunity to licence rights directly without involving the local collective rights management society. Most of the rights holders we pay money to live outside of Denmark, and in 2013 we made record-breaking distributions to recipients abroad; a total of approximately EUR 50 million. We focus a great deal of attention on the fact that everyone has the right to receive correct and accurate payments regardless of whether they live in Denmark or elsewhere, and we are continually working to make us attractive to international rights holders. In addition to our great growth we also have one of the world’s lowest administrative expense rates amongst all collective rights management societies, and even if you include our cultural contributions in that expense we still offer one of the very lowest administration expense rates on a global level. We also feel that we have reached a number of targets that make us better equipped to carry out licensing in Denmark than the international rights owners – and that we can handle back office processing of works at lower costs than they. We have successfully entered into a highly satisfactory Nordic collaboration on IT development with TONO (Norway) and Teosto (Finland): the Polaris project saves costs by having us develop and run systems jointly. We have also launched a new collaboration with the international repertoire database ICE, and we have great expectations for this. We are committed to being a collective rights management society that is modern and ready to change – and which accommodates the rights holder’s desire for accurate and rapid distributions at the lowest possible cost. We are here for the rights holders’ sake. Not the other way around,” says Anders Lassen.



THE CHAIRMAN

# Koda continues to change

**Koda has undergone a very positive transformation over the course of the last three years, says the chairman of the Koda Board of Directors, Niels Mosumgaard, who is pleased to see massive streams of revenue being generated for the artists who create the music. Most recently, the cultural contributions have been modernised and the distribution of funds has been made more transparent.**

“The Board of Directors has gotten a breath of fresh air,” says Niels Mosumgaard, who was appointed new Chairman of Koda and was joined by four other new members of the nine-person Board in 2013.

“To me, obtaining an overview of all the complex details in the Koda organisation involved quite a steep learning curve. But the process has been exciting, and I think we have enjoyed excellent co-operation – within the Board itself and between the Board and the management. In 2013, the management and staff of Koda have done absolutely sterling work. Enthusiasm runs high in the day-to-day work, and performances are at maximum strength. We continue to follow the strategic direction established three years ago when Koda got a new managing director. Our objectives are to maximise efficiency and to create more value for members and customers, and we have been successful in this regard, achieving historic results. Koda has a record-low administration cost rate and a record-high turnover, which of course yields large payments for rights holders. We are quite simply amongst the world’s leading collective rights management societies,” says Niels Mosumgaard.



“Koda must be the obvious choice because we are the best, the most cost-efficient, and the most forward-thinking,” says the chairman of Koda, Niels Mosumgaard.



## Historic change of direction

“Sadly, the final wording of the directive was delayed to such an extent that we did not have the opportunity to prepare a proposal for changing our Articles of Association at the annual general meeting in 2014. So we hope and expect this to be adopted in 2015 instead, and at that year’s annual general meeting we will present our plans for a new distribution set-up,” says Niels Mosumgaard, who expects to see significant changes.

“We are well on our way with the work on simplifying the principles of distribution. Administration should be made less costly and more transparent,” explains Niels Mosumgaard.

The Board of Director’s major overhaul of Koda’s distribution principles means that it will be much easier for rights holders, music publishers, and other collective societies to see exactly where their income comes from.

## Political clout

“We have an tradition for investing 10 per cent of Koda’s income in cultural contributions, i.e. on support for a wide range of cultural initiatives. Those cultural contributions will still be used for e.g. international collaboration on co-writing and networking meetings and will help Koda fight the battle for copyright, which is currently under heavy bombardment from the so-called pirate parties, multinational corporations, and forces within the EU.

In this context the societies of composers play a major part, for they are the composer’s mouthpiece and advocates within the realms of national and international politics, and they represent the music creators and their interests in all relevant contexts,” says Niels Mosumgaard.

In addition to being the chairman of Koda he is also the head of the Danish Songwriters Guild (DPA), and within this setting he is active in the European Composer & Songwriter Alliance, ECSA. He is also part of the London-based working group of the Global Repertoire Database (GRD), which aims to ensure that all musical works are registered with full accuracy.

## A huge project

“The vision is to create a truly global repertoire database that provides an authoritative answer to the question of who owns what shares of the musical works. This is of tremendous importance when repertoires are licensed digitally across national boundaries, and several different music publishers and collective rights management societies are brought into play at the same time. The objective is to register the right percentages that determine all authors’ shares in each individual work. Bringing all actors on board is a huge undertaking, but we hope to go live from 2016,” says Niels Mosumgaard.

He also takes pleasure in the fact that Koda’s members continue to grow ever more professional, and that the message of how the experience economy can drive growth is finding sympathetic ears.



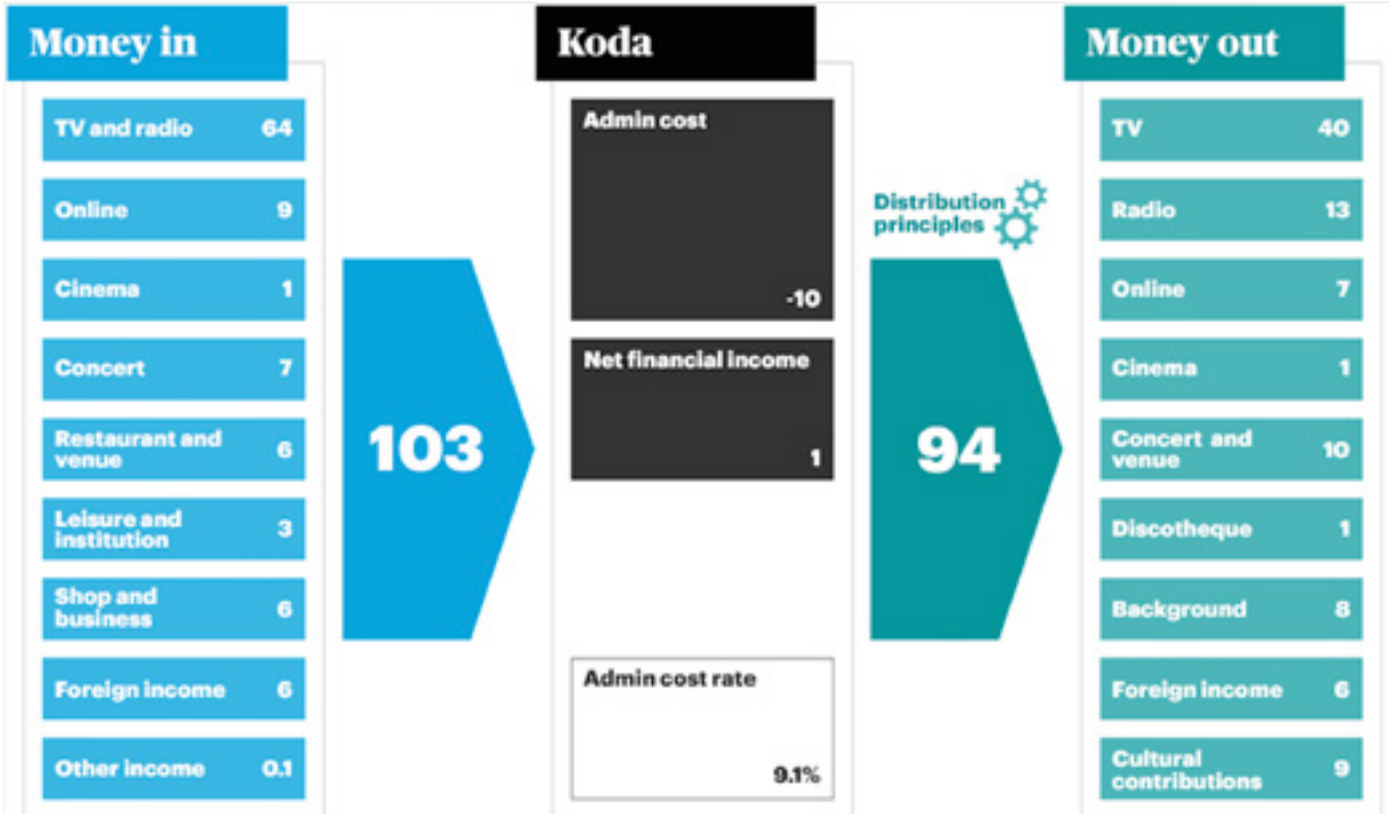




Koda's Board of Directors:  
From the left: Susi Hyldgaard (DJBFA), Tine Birger Christensen (DMFF), Peter Littauer (DMFF), Niels Rønsholdt (DKF), employee representative Jens Visby, Maj-Britt Kramer (DJBFA), Niels Marthinsen (DKF), Jacob Morild (DPA) og chairman Niels Mosumgaard (DPA). Missing in the picture: Ole Dreyer Wogensen (DMFF).

“A new study demonstrates that the Danish music contributed EUR 938 million to the Danish economy last year. If we want that market to continue to grow – and if the creative industries are to help boost the economy – this requires dedicated commitment from political decision-makers. First of all they should safeguard our copyright so that Koda’s members receive payment when their music is played on the radio, on TV, in films, on websites, etc. In this respect it is tremendously important for us that Koda recently entered into a groundbreaking agreement with YouTube – a place where copyright anarchy has reigned supreme until now, threatening to erode the principle of paying to use music,” asserts Niels Mosumgaard, who takes an optimistic view of Koda’s future if the society can continue to adapt to the rapidly changing realities.

“These years, our main challenge is to ensure that Koda remains the place to go to have your music rights managed in the best way possible, for the digital distribution of music means that everything flows rather more freely now. The rights holders can decide for themselves where their rights should be managed. Koda must be the obvious choice because we are the best, the most cost-efficient, and the most forward-thinking of the bunch. That is why we are busily working with steps to promote efficiency, modernisation, co-ordinating IT solutions at a pan-Nordic level, and investments,” says Niels Mosumgaard.



All amounts in million EUR

Money in shows the income generated in 2013 by area.

Money out shows the amounts which – based on the 2013 financial results – are ready for distribution amongst rights holders and as cultural contributions from Koda to support the music scene.



# Streaming goes from strength to strength

**Koda's most recent study of media consumption shows that almost one in three Danes is now a frequent user of one or several of the major music streaming services. It also shows that streaming is enough to satisfy many consumers' need for music, leading to a corresponding drop in their purchases of music. Danes are generally keen to get things for free, but an increasing number of users now pay for streaming services to ensure that no advertisements interrupt the flow of music.**

Since 2010 Koda has carried out several studies of Danish media consumption. These studies provide us with a clear image of the rapid developments taking place within the music scene, of which Koda itself is obviously a part. The most recent Koda study was carried out via a YouGov panel in February of 2014, and it is clear to see how the growing digitalisation is causing radical changes to the music market, but also that many of these changes have, from Koda's point of view, several positive traits.

## **Streaming has become well-established with Danes**

In 2010 the Danes were largely unaware of the concept of streaming. TDC Play had only just launched a streaming function as part of its revolutionary new subscription service, and WiMP (Wireless Music Player) was still only available to consumers who had their telecommunication subscriptions with Telenor. A lot of water has streamed under the bridge since then: Now, the Danes have

### **Facts about streaming in Denmark**

- **25** % of the Danish population stream music every day
- **16** % of Danes stream music on an ongoing basis throughout the day
- **52** % of the Danish population stream music every week.



access to a wide range of user-friendly streaming services, and this definitely affects our behaviour when it comes to listening to and using music.

One in four Danes stream music every day, and more than half of us stream music on a weekly basis.

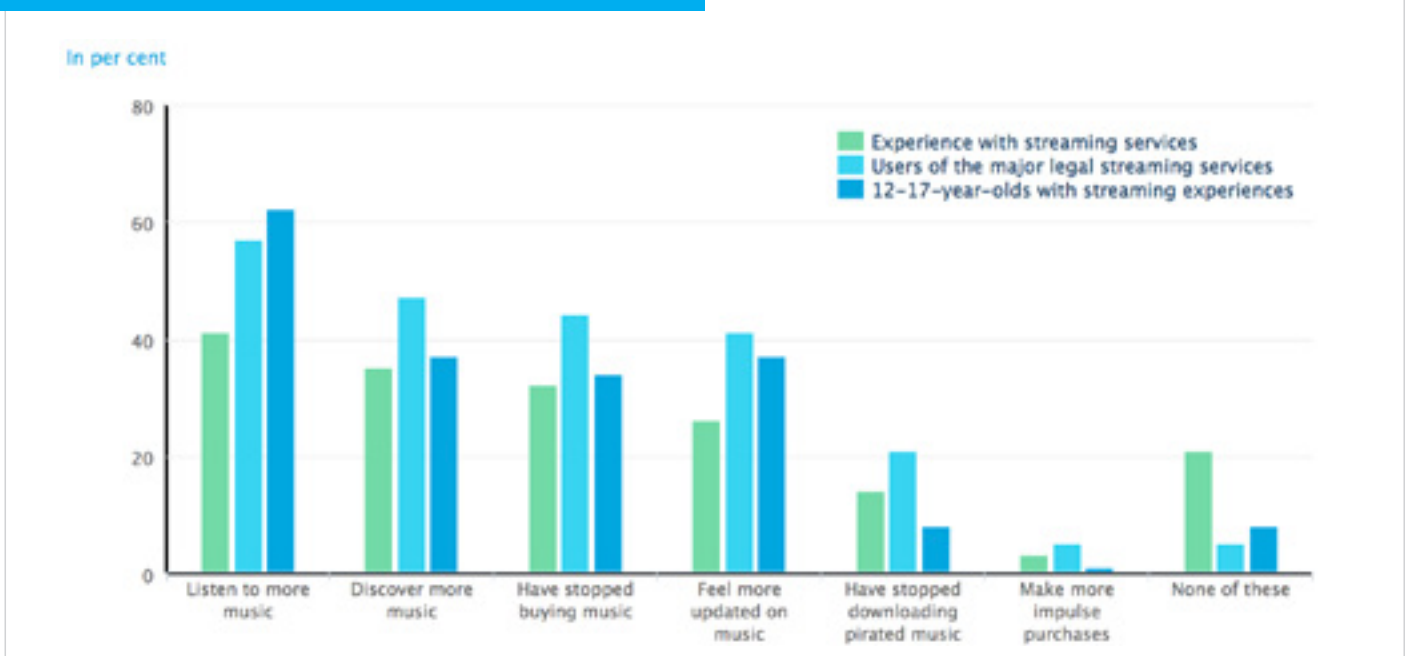
If you ask the youngest audiences, streaming has become an everyday source of music for more than half of them: no less than 61 per cent of the 12-17 year-old respondents stream music every day.

Just a few years ago music streaming was a largely unknown concept to the average Dane, but our studies show that Danes soon embraced the new technology and now use it as a matter of course. For example, one in three Danes is now a frequent user of one or more of the major streaming services: 30 per cent of all respondents state that they listen to music via Spotify, TDC Play, and/or WiMP "every day" or "often".

## Streaming changes consumer behaviour

Generally speaking, streaming causes consumers to change their behaviour. In the Danish market consumers state that using a streaming service prompts them to listen to more music and to discover more new music. However, the fact that they have access to millions of tracks online also often means that consumers no longer buy music on CDs or via services such as iTunes.

### What does streaming mean to users?



## Knock-on effect

35 per cent of all the Danes who stream music also discover music they did not know before – and this figure is almost 50 per cent if we consider only users of the major streaming services. Almost all of them (93 per cent) return to their new discoveries/artists to investigate their music in greater detail – and for one-third of those who find new music on the streaming services their encounter with a new artist becomes a lasting relationship. Indeed, no less than 31 per cent state that they revisit their new discoveries to a “great” or “very great” degree.

Such new discoveries made by streaming-eager Danes also has another knock-on effect: for more than one in three, the discovery of new music leads to other purchases, too: 34 per cent of all respondents state that their discovery of new music has prompted them to buy music, concert tickets, or merchandise featuring the artist in question.

## Full selection, great audio quality – and preferably free

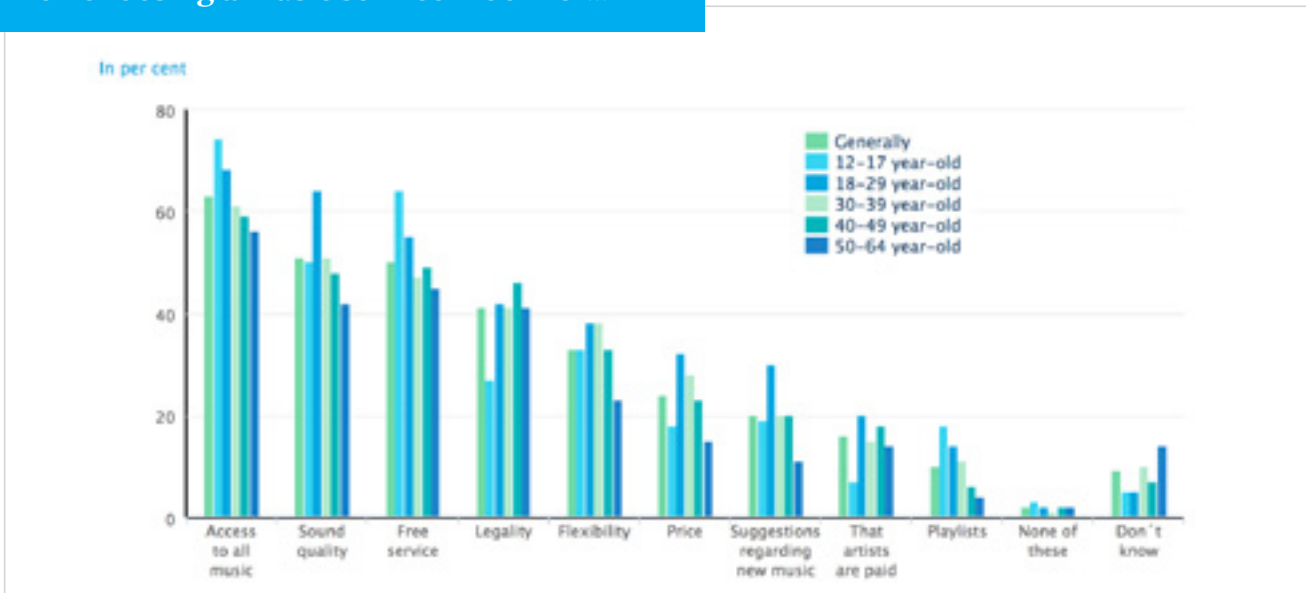
When Danes select a music service the most important parameter for them is that the service must offer access to all music, that the audio quality is good – and that the service is free. They are less interested in whether the artists who write and play the music are in fact paid. Only 16 per cent of all respondents put emphasis on that last point. However, there are reasons for cautious optimism. For back in 2010 only one in ten respondents emphasised this point, meaning that the relative share of Danes for whom this question is important has gone up by 60 per cent.

### New discoveries lead to additional purchases

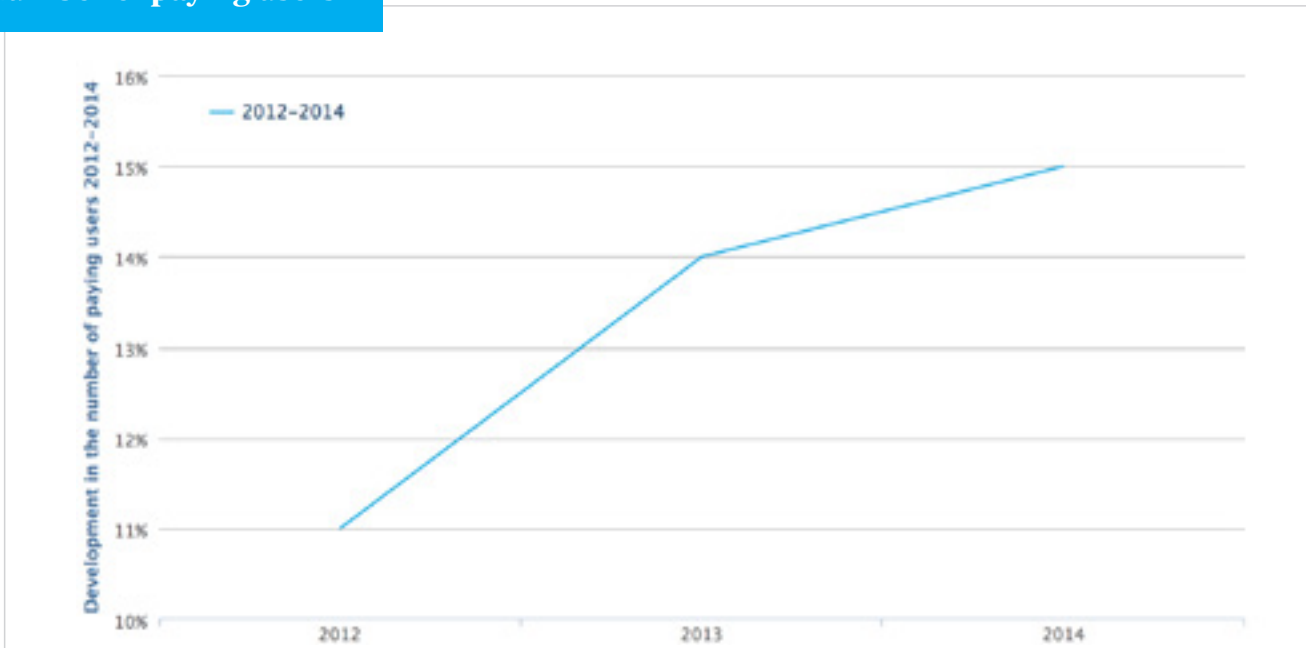
Q: Have you, after having discovered a new artist, gone on to buy new music or merchandise or attended a concert featuring that artist?  
■ Yes, I have gone on to buy music, merchandise, and/or concert tickets ■ No ■ Don't know



## When choosing a music service I look for...



## Number of paying users



If you ask the Danes to choose the single most important point, getting their music for free remains their main concern. Fortunately, our studies show that in spite of this fact more and more Danes are in fact opting for subscription-based music streaming services.

### More consumers pay for their music

Even though the Danes are very fond of the “free” option when choosing how they want to listen to music, our data shows that an increasing number of Danes are actually paying to use one or more music services online. Now, a total of 16 per cent of respondents



state that they pay for access to one or more online music services, and while this figure may not seem overly impressive it nevertheless shows progress: it means that the relative share of Danes who pay for access to one or more music streaming services has risen by 45 per cent since September of 2012 – and no less than 23 per cent over the course of the last year alone.

## **Ownership is becoming irrelevant**

Within the span of very few years smartphones have gone from being very rare to become common property: these days three out of four Danes carry a smartphone in their pocket or purse, according to the latest figures from the market research firm YouGov. And Koda's most recent studies certainly confirm that this has an impact on the Danes' media habits: Now, 60 per cent of all Danes use their mobile phones to listen to music. Just a year ago this was only true of less than half of us.

Overall, the opportunity to listen to music on the move has become more important to us. One in three Danes tell us that they prefer a mobile, handheld device when listening to music. This is to say that mobile phones and mp3 players have replaced the computer and the CD as the Danes' preferred music media.

## **Streaming is the new MTV – but radio is still important**

Since 2010, when music streaming became available to all, streaming has become a major source of new discoveries for Danish music lovers – making it a major competitor to traditional media in terms of discovering new music. Our most recent figures show that for 22 per cent of us, the last time we discovered a new favourite track we did so via a streaming service or social media such as Facebook, which is linked to Spotify. Streaming services constitute the second most important source of discovering new music for the Danes, whereas the influence of TV in particular is waning.

Young people are a step ahead of the rest of the population as far as the streaming services' impact on discovering new music is concerned: even back in 2010 streaming services was their key source for discovering new music. And since then streaming services have left traditional media far behind in this respect: Almost every other 15-year-old (43 per cent) has found their latest favourite song via a streaming service or a social medium such as Facebook. For purposes of comparison, the radio is only the source of new favourite songs for 16 per cent of this age bracket.

Generally, however, radio continues to be the most important source for discovering new music. Almost half of us (48 per cent) state that we last discovered a new song/track that we really like while listening to the radio. So while radio may be losing some of its importance, radio airplay remains the most direct route to audiences for most musicians, songwriters, and artists.

*The study was carried out in co-operation with the market research firm YouGov. A total of 1070 CAWI interviews were carried out in February of 2014, covering Danish respondents between the ages of 12 to 64.*



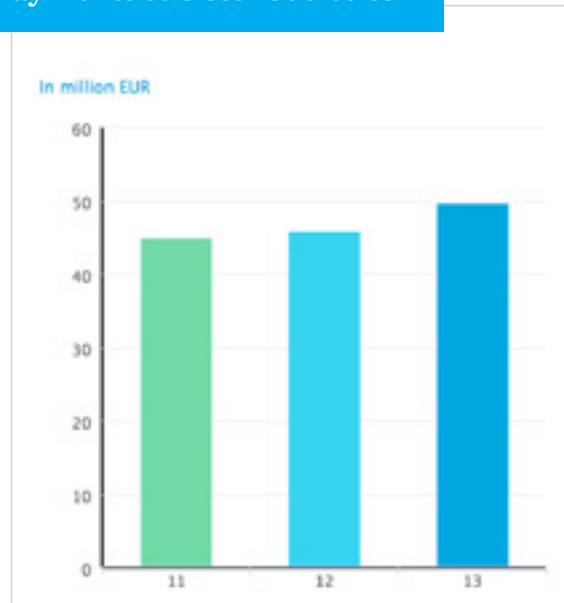
# More money to rights holders abroad

**Almost two thirds of Koda's total distribution is sent to rights holders abroad. The money flows to the rights holders through collective rights management societies who have entrusted these rights to Koda in Denmark. The distribution has even increased by 8.3 per cent from 2012 to 2013.**

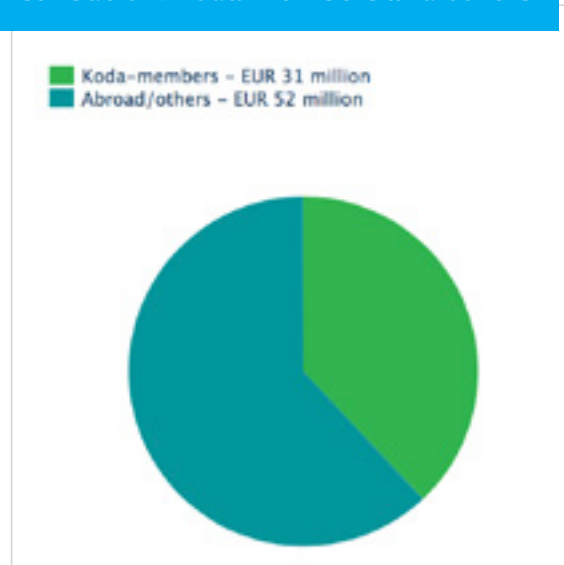
The flow of money from Koda to rights holders represented by collective rights management societies abroad is growing ever larger. Koda's total result for 2013 showed an impressive increase of 8 per cent. This is reflected in the payments made by Koda to members of other rights management societies, which amounted to an increase of 8.3 per cent. Even though Denmark is a small country, Koda's efficient administration and high market penetration enables us to send no less than EUR 49.6 million onwards to rights management societies abroad.

The payments distributed to rights management societies abroad account for no less than 60% of Koda's total distributions in 2013. As is evident from Koda's lists of the most frequently played songs on Danish radio stations, more than half of those works come from abroad; this is in keeping with the general listening habits in Denmark, where most of the music consumed is made outside of Denmark.

## Payments to sister societies



## Distribution: Koda-members and others





## EUR 19 million to and through STIM

The Swedish rights management society STIM receives more than a third – approximately EUR 19 million – of Koda’s payments to societies outside of Denmark, making it Koda’s largest single recipient of its kind. The main reason for this is that many multinational music publishers use a membership of STIM to cover all of the Nordic countries, including Denmark. This is to say that a great deal of the money sent by Koda to STIM is passed on to music publishers outside of the Nordic countries.

The second-largest recipient of distributions from Koda is PRS (UK), which received EUR 11.4 million in 2013, and this represents an increase of almost 20 per cent from 2012 to 2013. Looking at Koda’s distributions to societies abroad, PRS is followed by the American organisations ASCAP and BMI.

Denmark has always been a music-importing country, and it is hardly surprising that we listen to a lot of music from English-speaking countries such as UK and USA. In total, the distributions to PRS and to and through STIM account for 63 per cent of Koda’s total distributions to foreign collective rights management societies.

## Top played foreign composers in Denmark 2012

	Composer	Society
1	Max Martin	STIM
2	Shellback	STIM
3	George Michael	ASCAP
4	Adele	PRS
5	Dr. Luke	ASCAP
6	Calvin Harris	ASCAP/PRS
7	Michael Jackson	BMI
8	Per Gessle	BMI
9	Lionel Richie	ASCAP
10	Ryan Tedder	ASCAP



## Top 20: Distributed to and received from other societies

Society	Distribution		Received	
	2013 (EUR 1,000)	+/-2012 (%)	2013 (EUR 1,000)	+/-2012 (%)
STIM	18.801	5,5	1.418	9,6
Prs	11.354	18	469	37,2
Ascap	5.748	8,2	144	-39,5
Bmi	5.033	6	188	41,5
Gema	2.256	-3,2	741	-12
Sacem	1.755	1	205	-5,6
Tono	901	0,1	771	-3,9
SOCAN	890	-1,7	17	-80,1
Apra	656	52,1	72	-13,7
Siae	366	20,2	244	22
Sesac	343	-6,3	0	
Buma	256	-2,3	192	-69,7
Sgae	212	11,2	65	34,6
Imro	197	48,9	24	12,6
Akm	147	-3,5	101	-26,2
Teosto	119	-21,7	820	86,8
Suisa	117	21,5	161	2,2
Sabam	82	-8,8	79	88,5
Jasrac	50	-38,8	185	-34,1
Osa	35	77,1	166	15,5
Andre	488	39,8	322	12,6
<b>Total</b>	<b>49.606</b>	<b>8,3</b>	<b>6.385</b>	<b>-0,2</b>

## Top 10 in 2013 on commercial radio

	Titel	Composer/songwriter	Artist
1	Let Her Go	Mike Rosenberg	Passenger
2	Elephant	Mads Langer/Jakob Hazell/Svante Halldin	Mads Langer
3	Just Give Me A Reason	Pink/Jeff Bhasker/Nate Ruess	Pink featuring Nate Ruess
4	Børn af natten	Anders Christensen/Peter Lützen/Amalie Stender	Panamah
5	Stay	Mikky Ekko/Justin Parker	Rihanna featuring Mikky Ekko
6	Mirrors	Justin Timberlake/Timothy Mosley/Jerome Harmon	Justin Timberlake
7	When I Was Your Man	Bruno Mars/Philip Lawrence/Ari Levine/Andrew Wyatt	Bruno Mars
8	I Knew You Were Trouble	Taylor Swift/Max Martin/Shellback	Taylor Swift
9	Endelest	Rasmus Walter	Rasmus Walter
10	Get Lucky	Thomas Bangalter/Christo Homem/Nile Rodgers/Pharell Williams	Daft Punk featuring Pharrell Williams

## Top 10 in 2013 on public radio

	Titel	Composer/songwriter	Artist
1	Børn af natten	Anders Christensen/Peter Lützen/Amalie Stender	Panamah
2	Just Give Me A Reason	Pink/Jeff Bhasker/Nate Ruess	Pink featuring Nate Ruess
3	Get Lucky	Thomas Bangalter/Christo Homem/Nile Rodgers/Pharell Williams	Daft Punk featuring Pharrell Williams
4	Uden forsvar	Marie Key/Andreas Sommer	Marie Key
5	Hey Love	Robin Hannibal/Cecilie Karshøj/Fraser T Smith/Ali Tamposi	Quadron
6	Mirrors	Justin Timberlake/Timothy Mosley/Jerome Harmon	Justin Timberlake
7	Daylight	Adam Levine/Max Martin/Sam Martin/Mason Levy	Maroon 5
8	Elephant	Mads Langer/Jakob Hazell/Svante Halldin	Mads Langer
9	I Knew You Were Trouble	Taylor Swift/Max Martin/Shellback	Taylor Swift
10	Hvorfor løb vi	Peter Sommer/Stefan Kvamm/Søren Zahle	Peter Sommer

# Towards new objectives after record results

**Koda has a new home – but the strategy remains unchanged. Koda has relocated to modern, more musical settings, but the management is not about to take a breather or rest on its laurels after the record-breaking results of 2013. Deputy managing director Gorm Arildsen promises to continue to keep costs well in check, and he and his employees are aiming to see even more increases in the income generated in 2014.**

Koda is changing a great deal these years.

Those changes have created record-breaking growth year after year, a more efficient organisation, and now Koda has changed its physical setting, too.

Koda has moved to a brand-new, modern setting in a new, attractive part of town right by the harbour of Copenhagen. The move represented the end of an era as Koda left its long-standing home in Landemærket in the heart of Copenhagen.

## **Musical interior**

“Koda and the authors’ societies can now be found under one roof at the new address, where we have state-of-the-art, practical premises with open-plan offices and good meeting facilities. One alternative would have been to renovate our old domicile at Landemærket, which had become too large, unwieldy, and impractical for our purposes. However, extensive renovations would have proven too expensive for Koda, and it is better to free up those resources and put them to work instead of letting them be tied up in bricks and mortar,” explains deputy managing director Gorm Arildsen.



A busy man on the property market in 2013: Deputy managing director Gorm Arildsen has worked hard to find Koda's new home.



He was the person responsible for finding Koda's new home, and the result is a four-storey domicile decorated with plenty of references to the world of music on its walls, ceilings, and floors.

## Target: EUR 107 million

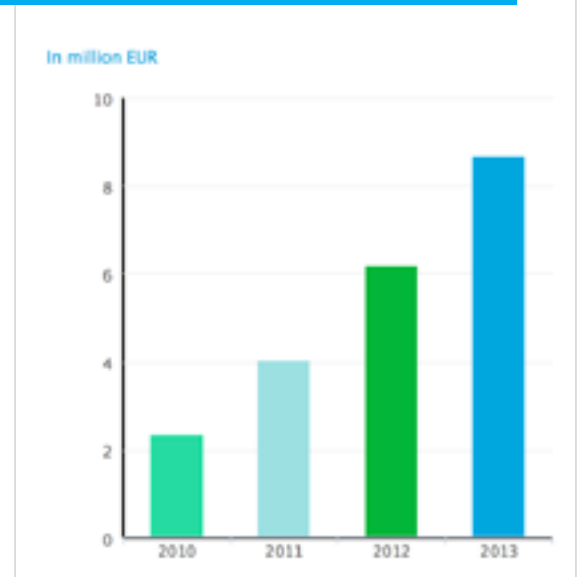
Koda's IT solutions also underwent an upgrade in connection with the relocation: the desktop computers were replaced by laptop units, allowing all employees greater flexibility in their work. This ties in well with the overall Koda strategy on steps to promote greater income and efficiency, a zero-growth policy on costs, and efforts to generate greater value for members, music publishers, customers, and the music scene in general.

"We have met those goals in 2013: once again our turnover has reached record-breaking heights, allowing us to distribute approximately EUR 103 million in payments to our members, music publishers and other collective rights management societies. This far exceeds our expectations. The largest portion of that money – approximately EUR 50 million – is being paid out to stakeholders abroad. We have increased our turnover without spending any more money. But this does not mean that we will be resting on our laurels. Major challenges continue to lurk ahead, and there is still much that we can do now. In 2014 we aim for a turnover of more than EUR 107 million (DKK 800 million). We must increase our growth, continue to become ever-more efficient, and carry out developments concerned with issues of service and job satisfaction," says Gorm Arildsen.

## Nordic co-operation

In 2013 Koda successfully streamlined its resources, thereby freeing up 15,000 man-hours. This was achieved by i.a. improving the Koda web portal "My Koda" – which the members use for notifications and reporting – and by optimising Koda's internal systems. Gorm Arildsen has also trimmed down the organisation, eliminating two managerial positions.

## Income: Internet and on demand



"The facts we are facing is that new tasks continue to arrive every day. To resolve those tasks we can do two things: we can either hire more people, or we can make our processes more efficient, thereby releasing resources for other uses. In 2013 we successfully managed to do considerably more work while maintaining the same level of resource expenditure. This allowed us to free up a lot of time for the Polaris Nordic project; a very fruitful collaboration with our Nordic sister companies TONO in Norway and Teosto in Finland. With this collaboration we enjoy considerable economies of scale, which in effect makes us the sixth-largest collective rights management society in Europa. Most recently, Polaris just signed a contract with the repertoire database ICE. That collaboration enters into effect in 2015, and in the long term it will help make our data processing even more efficient, ensuring that our members get exactly the payment they are entitled to when their music is used. It makes perfect sense for us to have our database continually updated by a single, reliable partner," says Gorm Arildsen.

## Huge rise in streaming

The streaming services that have arrived in recent years are a huge factor in the tremendous demands now made on Koda's data processing, for the listeners explore even the most obscure nooks and crannies of a music repertoire comprising several million works. And Danish consumers are keen users of services such as Spotify and WiMP (Wireless Music Player).

"At this point, more than a million Danes regularly use music streaming services. This means that "Internet and on demand" has accounted for the biggest relative growth in our turnover for 2013. The increase within the area from 2012 to 2013 was no less than 40 per cent, bringing our total income from this particular field up to EUR 8.7 million.

We expect to see continued growth over the course of the next two to three years; after that point this type of music consumption will probably reach a plateau. Another major breakthrough in 2013 was that fact that we finally entered into an agreement with YouTube. During the period after that agreement was signed we saw an influx of several thousand members, so we have also reached historic heights by exceeding 40,000 members," says Gorm Arildsen.

## Have come far

Given that Koda's administration cost rate of 9.1 per cent has reached a record low amongst collective rights management societies worldwide, the time is ripe for Koda to make investments:

"We have upgraded with two new employees in general licensing, and we are running all-new sales campaigns we have never tried before. We are already good at approaching those who use music and asking them to pay. But now we also approach those who are not using music, encouraging them to do so in the future. Yes, times are hard for shops these days, but they may prove even harder if they choose to cut back on music. Studies have shown that music which is carefully aimed at the shop's demographic can help establish the right mood and create added value, and we continue to spread this message. Whenever the message hits home, the extra income generated is sent straight on to the rights holders," says deputy managing director Gorm Arildsen.



# The battle for copyright grows fiercer

**Copyright is facing increasing pressure on many fronts, but Koda is having great success defending it. In Denmark and internationally.**

“Copyright is currently under increasingly great pressure. It is under attack on many fronts, and this requires us to respond forcefully if Koda is to continue to generate value for its members,” says Jakob Hüttel, Director of Legal and International at Koda.

According to Jakob Hüttel the battle to defend copyright is fiercer now than it was 10 to 15 years ago, making it necessary to put a very keen edge on all arguments when Koda speaks on behalf of members and publishers, for example in Brussels.

Today, creators of music face a motley crew of opponents who benefit from eroding the rights holders’ opportunities for making a living. The Pirate Party has gotten candidates elected to the European Parliament. Their activists send a barrage of emails to our politicians. They rage against copyright, and the party is finding sympathetic ears within parts of the political system. Large multinational corporations try to present copyright as a hindrance to growth. And criminal Internet pirates make vast amounts of money on advertising as they offer films and music via websites hidden behind constantly changing links, making it very difficult to track down the masterminds behind them.

## Entering the fray

The good news is that Koda and the organisation’s allies in the battle for copyright are in fact achieving good results in the struggle, and that Koda is very successfully in mak-



Jakob Hüttel, Director of Legal and International in Koda, spearheads the efforts when Koda fights to defend copyright.



ing its arguments heard in Denmark and internationally.

Koda repeatedly argues that copyright generates value – for the artists themselves, of course, but also indirectly for society in general through the many jobs generated within all creative industries.

“What is more, Koda is part of RettighedsAlliancen (“The Rights Alliance”), a unique collaborative organisation where the Danish creative industries have rallied their forces to defend copyright and fight against organised piracy. RettighedsAlliancen celebrated several successes in 2013; for example we have persuaded the Danish telecommunications companies to block user access to the illegal streaming service Grooveshark. Another very positive note was struck when Koda was able to close a deal with YouTube for the first time ever in 2013,” says Jakob Hüttel, who works diligently to put Koda in the vanguard of the international struggle for copyright.

## Share with care

“In Denmark we have helped, via the RettighedsAlliancen, to devise the ‘Share With Care’ campaign, a joint communication initiative against illegal file sharing. The initiative has been launched by Rettighedsalliancen, the telecommunications industry, and – very importantly – the Danish Ministry of Culture. We are very pleased with the information efforts directed against organised frauds. We are also pleased to see that several Danish parties now support a so-called IPR task force, which will support the enforcement of authors’ rights on the Internet. It would do no good to anyone to have the individual, local police precincts be solely responsible for carrying out investigative work on the scale and level of complexity that organised copyright infringements require. We need a central unit that can focus on Internet crime, just like the ones seen in other countries,” says Jakob Hüttel.

The copyright battle is also making waves in the European Union, which wishes to “modernise” copyright with initiatives:

“We have entered this process with an open mind, and we are eager to help find solutions that make things simple for consumers and make it easy to approach and handle copyright matters.





Sadly, however, the process seems to be as much about multinational corporations who wish to pay as little as possible for rights. If the politicians opt for a populist approach with no care for rights holders, they run the risk of starving copyright to such an extent that rights holders can no longer make a living. This would also have the sad knock-on effect of stunting cultural growth, meaning that many potential jobs and workplaces within the creative industry will never come to pass. There have been EU advocates of legalising file sharing, but this would completely ruin the market for legal music services such as Spotify, and rights holders would have their livelihood destroyed. We present our case and arguments to politicians and officials in Denmark and Brussels. We are also active within the international umbrella organisations for authors' societies GESAC and CISAC, and within the European Commission's initiative Licenses for Europe, where modernising copyright is on the agenda," says Jakob Hüttel.

## **Clear rules**

He emphasises that Koda takes a very positive and flexible view of political initiatives to improve the activities of collective rights management societies, making it easy for members, music publishers, and customers to clearly see what is being done and how much it costs.

"The European Commission and the European Parliament have adopted a directive on collective rights management, and we accept it with open arms. The directive sets out a uniform framework for how collective rights management societies should work in Europe. Rights management must be better. Now, we have clear guidelines on transparency and good governance for all collective rights management societies throughout the EU, and Koda already meets the vast majority of the requirements laid down in the directive. One of the consequences will be that the distribution rules become easier to understand, and we welcome this initiative, too. Indeed, Koda's Board of Directors is currently busy working on changes within this field. We welcome greater transparency, and in fact the adjustments may even prove to make our own administration easier, dovetailing perfectly with Koda's ongoing, extensive, and successful strategy to promote efficiency in our organisation. This strategy is one of the key reasons why Koda achieved record-breaking results in 2013 and a new historically low administrative expense rate of just 9.1 per cent. This puts us at the very top amongst all the collective rights management societies in the world, and we hope that this makes Koda the obvious choice for any author looking to have their rights managed," says Jakob Hüttel.



# Closer to the publishers - and to our members

**In 2013 Koda has listened attentively to a range of wishes put forward by members and music publishers, and many of those wishes are granted by Anne Sophie Gersdorff Schrøder, who is head of the Koda Publisher and Member Service department.**

“We shouldn’t try to guess what our members and music publishers want. We should quite simply ask them and adjust our activities to reflect their wishes and needs. Having said that, we must always remember that Koda’s core business is to collect and distribute payments in the optimum fashion, so our main emphasis will continue to focus on that.”

That is the strategy for Koda’s efforts within member and publishing services, according to Anne Sophie Gersdorff Schrøder.

After having already worked for Koda for six years, in 2013 Anne Sophie Gersdorff Schrøder took over an all-new position as head of Koda’s Publisher and Member Service. The new position reflected Koda’s wish to promote more extrovert, proactive efforts within this field.

The new boss has a very clear picture of what the members and publishers would like to see, for in late 2012 Koda commissioned a highly ambitious and comprehensive analysis amongst these rights holder groups.



Anne Sophie Gersdorff Schrøder, head of Publisher and Member Service at Koda, strives to anticipate and accommodate what publishers want.

## “Very satisfied”

“The study shows that our members rank us highly in terms of their satisfaction. A total of 80 per cent state that they are “very satisfied” or “satisfied” with Koda. As far as the large music publishers are concerned, they are highly efficient enterprises who are mainly interested in – and have stringent demands on – our management of their income and data. They need a lot of detailed information about the distribution of payments, and this group of members accounts for a considerable part of our income. Quite naturally, this means that we must accommodate and anticipate their needs and demands; for example, we must be ready to offer additional advice and assistance from Koda’s specialists on issues relating to documentation and distribution of payments,” says Anne Sophie Gersdorff Schrøder.

She has become the key go-to-person in Koda when music publishers need to have specific questions resolved.

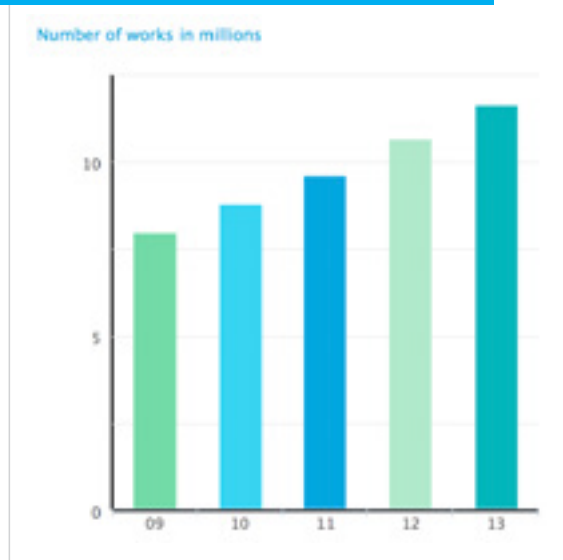
“Koda is constantly evolving, and we are always striving to streamline our organisation and make it as efficient as possible, thereby distributing higher payments to all rights holders: members, music publishers and other collective rights management societies alike. And in our distributions we send more money abroad than ever before. We hold the world record as far as national market coverage is concerned, and we receive very accurate reports and notifications from our customers. This gives us unique opportunities for making accurate distributions. And we are constantly seeking to become even better,” says Anne Sophie Gersdorff Schrøder.

The Koda analysis mentioned above clearly demonstrated that the members are even more diverse in nature than ever, so the things they want from their collective rights management society can vary greatly in scope.

## Number of members



## Works in the Koda database



## Individual wishes

“New members expect high-quality service as far as the distribution of payments and work notification is concerned, but at the same time they would like help with establishing networks and gaining insight into the music industry. We clearly see that the further our members have progressed in their career – and the more successful they are – the more their needs focus exclusively on our ability to collect and distribute payment as efficiently as possible,” says Anne Sophie Gersdorff Schrøder.

In 2013, the services for members included information meetings on radio, live performances, the Internet, and film. These events all drew large crowds; approximately 130-160 members attended each meeting.

“Generally speaking, we organise fewer meetings than before, but the ones we do organise are presented in larger settings, are wider in scope, and hopefully even more relevant to our members,” says Anne Sophie Gersdorff Schrøder, who also focuses attention on ongoing communication from Koda.

“We know that our members and music publishers are keen to see news about Koda’s activities, so we make sure that we keep them informed about the agreements entered into by Koda – and to let them know what we have on offer for them via our newsletters. Our objective is to make Koda the best collective rights management society in the world, and this requires us to work with the international music publishers in a very, very serious manner. We have excellent insight into the business models they navigate by. Keywords in this regard are transparency and the ability to handle administration and distribution in the best and most cost-efficient manner.”

Koda’s Publisher and Membership Service department also works on evolving Koda’s online service, and this has yielded tangible results.



## Focus on My Koda

“We are continually developing our website so that our members can find relevant information about Koda and the music industry – presented in a simple, straightforward manner. What is more, for many members the “My Koda” website is their primary interface with us, and they – very reasonably! – expect to be able to use the site to handle all their business: submitting notifications of works, reporting concerts, get an overview of the payments distributed to them, and see where the money comes from. We regularly upgrade our online platforms to offer the best service possible. The number of users of “My Koda” continues to grow, and we aim to enable members to handle all standard transactions via “My Koda”; this will enable us to free up considerable resources to the benefit of all members. In 2013 we put a great deal of effort into getting new members to use the site as quickly as possible. As soon as new members join Koda they will receive an email with a guide on how to get started”, explains Anne Sophie Gersdorff Schrøder.



Koda's Publisher and Member Service

# Cultural contributions: Investing in goodwill

**Koda uses its cultural contributions to support the music industry in general, making it stronger and more professional. This will in turn generate more income for Koda and, hence, for rights holders.**

Ten per cent of all income generated by Koda is set aside for cultural contributions. These funds are used to promote a vibrant, high-profile music scene, thereby helping to put copyright issues on the political agenda.

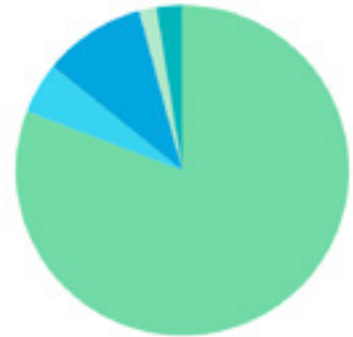
We regard the cultural contributions as an investment in goodwill – both amongst political decision-makers and amongst our own members. This helps us establish a good framework for entering into the best possible agreements, safeguarding the distribution of payments to rights holders.

Thus, the cultural contributions are very important in terms of enabling Koda to retain its high profile and goodwill amongst the general public, opinion-makers, and decision-makers. In recent years the public image of Koda has undergone a dramatic turn for the better, and Koda ranks in the absolute top as regards our ability to generate value for rights holders.

## Cultural contributions 2013

Total amount EUR 8 million

- The four Member societies – 80.9%
- Other Koda members – 5%
- Koda projects – 10%
- Joint projects: The four member societies – 1.7%
- Joint projects: The three author societies – 2.5%



The figure shows how the cultural contributions from 2012 were distributed in 2013.



## In support of culture – not social aid

At the same time Koda has one of the lowest administrative expense rates of all the collective rights management societies in the world – even if you include the funds allocated to cultural contributions.

Some of the cultural contributions are used to support songwriters/composers: to publish new music, for work grants, international co-writing, etc. Cultural contributions are also used to support and keep afloat very popular festivals and music events that help create unique experiences and retain audiences' interest in music. Koda supports the international SPOT festival for upcoming acts as well as the Roskilde Festival, the Danish Music Awards, and Spil Dansk Dagen ("Play Danish Music Day").

None of the funds are used as social aid or for retirement schemes/pensions. All allocations are used to support the music scene, and full transparency surrounds every item.

To us at Koda, the use of cultural contributions is not just about supporting the music scene and its artists directly. Cultural contributions also represent an investment in promoting and exposing the value of music in a wider sense, thereby reinforcing our good reputation, which in turn paves the way for good agreements and, hence, greater profits for members. For all these reasons the cultural contributions are an important part of the efforts made to preserve and strengthen the high degree of profitability Koda currently enjoys.

## Cultural contributions: The four member societies' expenditure in 2013

Total amount EUR 7 million

Working grants, production subsidies, etc. – 45%  
Festivals, concerts – 17%    Cultural politics – 18%  
Legal issues, copyright – 3%  
Competency development – 3%    Administration – 15%



The figure shows how the cultural contributions from 2012 were spent in 2013 by the four member societies.

# Artists on Koda



"I have been a Koda member for more than 10 years, and I feel very confident about having them manage my rights as a lyricist. The funds that Koda have sent me throughout my career have helped establish the stability that allows me to create. Being paid is also a sign of appreciation; it means that your music has done well. That is a great feeling."

PHOTO: We:Made

- Medina



"Year by year, Koda is becoming an increasingly large and increasingly important organisation as market shares shift away from e.g. record sales to general synchronisation. For all us mere mortals – composers, writers, and producers – the market can seem very complicated and difficult to get a grip on, but Koda handles it all in a thoroughly professional and functional manner. Having been acquainted, for better and worse, with countless collective rights management societies around the world there can be no doubt that I am deeply grateful to Koda. Their support is invaluable, and in my experience their contribution is the single most important factor for continued growth within the scene for emergent creative talent. If Koda were a woman I would have asked her to marry me long ago (and I would probably have been refused!)"

Pressephoto

- Steffen Breum







"Koda is quite indispensable to everyone who makes a living out of making music. The fact that there is such a huge set-up to take care of collecting our money makes all the difference for us as songwriters; it would be impossible for us to keep track of the many winding roads that allow money to trickle down to us from concert venues, radio stations, cafés, shops, and other public entities and places that use our music in their everyday work. We'd like to thank Koda for their huge efforts!"

Pressephoto

- Kira



"In an age where the ways of making money from music are in a state of great upheaval, Koda feels like a safe haven; something stable you can count on! We think it is important to not take Koda for granted; we all need to rally round them and make sure that Koda continues to have strong support so that they can protect and take care of our rights."

PHOTO: Tommi Rønnqvist

- Donkey Sound (Pharfar & Fresh-I)





“The songs are our very own foundling children and busy little bees. And Koda looks after them. At night, and when we are sleeping ...”

PHOTO: Martin Damt

- Allan Olsen



“I have been a Koda member for 30 years. Koda is doing magnificent work, and I am proud that Denmark has one of the most efficient collective rights management societies in the world. From live music to radio, film and TV to YouTube and Spotify: Koda works to ensure that their authors can still make a living in a difficult and changeable market, and I really don't know what we'd do without them. The payments from Koda have saved my bacon more than once when Christmas, the summer holidays, the rent, or the taxman reached out their greedy hands. Regardless of whether you play your music live or on the radio, TV, in the cinema or on YouTube and Spotify, you couldn't do it without Koda. It would not be wrong to say that Koda ensures that we still have a professional music scene in Denmark.”

PHOTO: Lars Daniel Terkelsen

- Halfdan E





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# ***Koda***

## **Financial Statements for 2013**

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

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*PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab, CVR No 33 77 12 31  
Strandvejen 44, DK-2900 Hellerup  
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## Management's Statement on the Financial Statements

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 2013.

The Financial Statements are prepared in accordance with the By-laws of Koda and statutory financial reporting requirements. 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 2013 of the Society and of the results of the Society operations for 2013.

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

Copenhagen, 28 March 2014

### Executive Board

Anders Lassen

### Board of Directors

Niels Mosumgaard  
(Chairman)

Susi Hyldgaard  
(Deputy Chairman)

Peter Littauer

Niels Ransholdt

Jacob Morild

Niels Marthinsen

Maj-Britt Kramer

Tine Birger Christensen

Ole Dreyer Wogensen

Jens Visby

The Financial Statements were presented at the Annual General Meeting of the Society,  
/ 2014

### Chairman



1



# Independent Auditor's Report on the Financial Statements

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 2013, 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 statutory financial reporting requirements.

## 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 statutory financial reporting requirements, 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 on the Financial Statements

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Society at 31 December 2013 and of the results of the Society operations for the financial year 1 January - 31 December 2013 in accordance with the By-laws of Koda and statutory financial reporting requirements.

Copenhagen, 28 March 2014

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

Kent Hedegaard  
State Authorised Public Accountant

Anders Røjleskov  
State Authorised Public Accountant



## Accounting Policies

The Financial Statements are prepared under the following accounting policies which remain unchanged from last year.

The Financial Statements for 2013 are presented in EUR thousands.

### Income Statement

#### Method of revenue recognition

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.

#### Tax

Tax on profit for the year is recognised in the Financial Statements of the Society under a historically conditioned method of accounting.

### Balance Sheet

#### Receivables

Receivables are recognised at market value, usually corresponding to the invoiced amount. The value is reduced by provisions for bad debts according to principles determined on the basis of the Society's experience from past years.

#### 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.

#### Properties

Land and buildings are measured at the latest public assessment value less 15 %. Major refurbishments and improvements are capitalised as additions during the year. The value adjustment is recognised in the item "Provision for revaluation of properties".

No provision has been made for depreciation on buildings as it is assumed that the value of buildings may be maintained through maintenance on an ongoing basis. Ongoing maintenance is expensed in the year in which the expenses are incurred.



## Accounting Policies

Properties sold which have not been vacated at year end are recognised at selling price at the date of sale.

### Operating equipment

Operating equipment is measured at cost less accumulated depreciation and less any accumulated impairment losses.

### Investment in subsidiary

Investment in subsidiary is recognised under the equity method.

Subsidiary with a negative net asset value is recognised at EUR 0. Any legal or constructive obligation of the Society to cover the negative balance of the enterprise is recognised in provisions.

### Development projects

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

## Income Statement 1 January - 31 December

	Note	2013 EUR '000	2012 EUR '000
Music revenue, Denmark		96.563	88.660
Music revenue, abroad		6.385	6.400
<b>Total music revenue</b>	1	<b>102.948</b>	<b>95.060</b>
Administrative expenses	2	-9.054	-9.368
<b>Profit before depreciation and other items</b>		<b>93.894</b>	<b>85.692</b>
Restructuring costs		-147	-281
Depreciation, amortisation and impairment losses		-268	-188
<b>Profit before interest</b>		<b>93.479</b>	<b>85.222</b>
Income from investment in subsidiary		-27	0
Other operating income, net	3	685	0
Net financial income	4	152	3.906
<b>Profit before tax</b>		<b>94.290</b>	<b>89.129</b>
Corporation tax		0	0
<b>Profit before distribution</b>		<b>94.290</b>	<b>89.129</b>
Distribution to rights holders for the year	5	-94.290	-89.129
<b>Profit after distribution</b>		<b>0</b>	<b>0</b>

## Balance Sheet at 31 December

### Assets

	Note	2013 EUR '000	2012 EUR '000
Cash at bank and in hand	6	41.650	14.921
Receivables		923	919
Securities	7	49.499	70.927
Development projects		572	250
Properties	8	6.970	12.476
Operating equipment and leasehold improvements	9	0	356
Investment in and balance with Koda ApS		11	41
Prepayments and accrued income		179	167
Other receivables		4.659	2.772
<b>Assets</b>		<b>104.463</b>	<b>102.829</b>

### Capital and liabilities

Contribution to cultural purposes	10	9.239	8.494
Collective private copying payments	11	386	570
Provision for revaluation of properties	12	801	3.788
Tax payable, sale of property		496	0
Other payables	13	4.057	3.129
Provision for distribution, abroad		3.343	3.324
Provision for distribution, domestic	14	86.140	83.523
<b>Capital and liabilities</b>		<b>104.463</b>	<b>102.829</b>
 Contingent liabilities	 15		

## Notes to the Financial Statements

	2013	2012
	EUR '000	EUR '000
<b>1 Music revenue</b>		
Primary transmission on radio and TV and retransmission	64.041	58.442
Kultur Plus	188	867
Internet and On Demand	8.673	6.178
Cinemas and films	1.517	1.367
Hotels and restaurants	6.243	5.829
Background music	5.889	5.943
One-off events/concerts	6.563	5.654
Other entertainment	3.499	3.518
Adjustment of provision for bad debts	-51	864
Abroad	6.385	6.400
	<b>102.948</b>	<b>95.060</b>
<b>2 Administrative expenses</b>		
Staff expenses	-8.214	-7.810
Reimbursement for administration	757	329
Fees	-820	-832
Market information and PR	-585	-225
Travelling, meetings and entertainment	-321	-316
Rental income	234	299
Rental expenses	-233	-215
Property expenses	-547	-506
Office supplies	-512	-543
IT expenses	-464	-555
Acquisitions and maintenance	-30	-61
Membership fees etc	161	164
Remuneration for administration	1.519	903
	<b>-9.054</b>	<b>-9.368</b>

## Notes to the Financial Statements

	2013	2012
	EUR '000	EUR '000
<b>3 Other operating income</b>		
<i>Profit, Gråbrødre Torv:</i>		
Selling price	4,423	0
Dissolution of revaluation - proportionate	1,587	0
Carrying amount at beginning of year	-4,387	0
Selling costs	-77	0
Provision for tax on property, Gråbrødre Torv	-496	0
	<u>1,051</u>	<u>0</u>
Impairment of fixtures and fittings, software and IT in connection with removal, Landemærket	-367	0
	<u><b>685</b></u>	<u><b>0</b></u>
<b>4 Net financial income</b>		
Portfolio return	-25	3,716
Bank and giro accounts	-5	66
Receivables etc	182	125
	<u><b>152</b></u>	<u><b>3,906</b></u>
<b>5 Distribution to rights holders for the year</b>		
Distribution to rights holders for the year is allocated as follows:		
Cultural contributions	8,584	8,098
Collective private copying payments	64	304
Individual allocation, revenue, domestic	79,257	74,327
Individual allocation, revenue, abroad	6,385	6,400
<b>Distribution to rights holders</b>	<u><b>94,290</b></u>	<u><b>89,129</b></u>
Calculation of cultural contributions:		
Profit as per income statement	94,290	89,129
Revenue, abroad	-6,385	-6,400
Kultur Plus	-188	-867
Dial tones and DPD	-4,192	-2,197
	<u><b>83,524</b></u>	<u><b>79,665</b></u>
Provision, 10%	8,352	7,967
Dial tones and DPD, provision	231	131
<b>Cultural contributions calculated for the year</b>	<u><b>8,584</b></u>	<u><b>8,098</b></u>

## Notes to the Financial Statements

### 6 Cash at bank and in hand

EUR 4,358k of cash at bank and in hand has been deposited in an escrow account in connection with the sale of Gråbrødre Torv.

### 7 Securities

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

### 8 Properties

The properties were sold in 2013. The property at Landemærket will be vacated in 2014 and has at 31 December 2013 been recognised at selling price at the date of sale.

### 9 Operating equipment and leasehold improvements

	Fixtures and fittings EUR '000	IT hardware EUR '000	IT software EUR '000	Total EUR '000
Cost at 1 January 2013	79	490	135	704
Additions for the year	0	12	0	12
Disposals for the year	-2	0	0	-2
Cost at 31 December 2013	<u>78</u>	<u>502</u>	<u>135</u>	<u>715</u>
Depreciation, amortisation and impairment at 1 January 2013	-51	-264	-34	-348
Impairment losses for the year	-27	-239	-101	-367
Depreciation and amortisation for the year	0	0	0	0
Depreciation, amortisation and impairment at 31 December 2013	<u>-78</u>	<u>-502</u>	<u>-135</u>	<u>-715</u>
Carrying amount at 31 December 2013	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

### 10 Contribution to cultural purposes

	2013 EUR '000	2012 EUR '000
Cultural contributions for the year	8.584	8.098
Cultural contributions transferred from previous years	<u>655</u>	<u>396</u>
	<u><b>9.239</b></u>	<u><b>8.494</b></u>

### 11 Collective private copying payments

Collective private copying payments for the year	64	398
Payments transferred from previous years	<u>323</u>	<u>173</u>
	<u><b>386</b></u>	<u><b>570</b></u>

## Notes to the Financial Statements

	2013	2012
	EUR '000	EUR '000
<b>12 Provision for revaluation of properties</b>		
Balance at 1 January	3.788	3.788
Gråbrødre Torv, share	-1.587	0
	<u>2.201</u>	<u>3.788</u>
Selling price, Landemærket	6.970	0
Carrying amount at beginning of year	-8.089	0
Costs of sale and removal	-281	0
	<u><b>801</b></u>	<u><b>3.788</b></u>
<b>13 Other payables</b>		
Koda-Dramatik	201	119
Accrued expenses	2.506	1.887
Accrued holiday pay	819	798
Accrued A tax, social security contribution and ATP	223	12
Prepayments	307	313
	<u><b>4.057</b></u>	<u><b>3.129</b></u>
<b>14 Provision for distribution, domestic</b>		
Distribution balance, beginning of year	83.524	77.019
Domestic revenue for the year for individual allocation	79.257	74.327
Distribution (payments) during the year	-76.641	-67.822
	<u><b>86.140</b></u>	<u><b>83.523</b></u>
<b>15 Contingent liabilities</b>		

The estimated capitalised value of pension obligations amounts to EUR 271k.

A lease has been signed for Lastrupsgade 9, which is non-cancellable for 10 years.

The liability at 31 December 2013 amounts to EUR 9,306k.

#### *Lease obligation*

The liability at 31 December 2013 amounts to EUR 35k.