

Annual Report 2012



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A major overhaul

Koda is experiencing massive economic growth, but the nine members of the Board of Directors are not resting on their laurels. The Board is currently undertaking a comprehensive adjustment of Koda's rules and distribution of funds. The Chairman of the Board, Niels Rosing-Schow (DKF), promises that the rules will be simpler, more fair, and more transparent.

"Koda's outcome of 2012 is very impressive. The total income of EUR 95 million is of crucial importance to the Danish music scene and ensures that large payments can be made to the songwriters and composers represented by Koda," says Niels Rosing-Schow.

He also promises that in the future it will be easier for everyone to understand how Koda distributes its revenues to rights holders from the various income-generating areas – radio/TV, background music, concerts, etc.

"We are currently carrying out a major overhaul of this area, and our objective is to make the flow of money through the system clear to all. Basically, our distribution must of course reflect the actual consumption of music. But in some cases Koda receives a lump sum for the use of music, and when that money is distributed to our members a range of rules are observed. Over the years these rules have undergone adjustments and been supplemented to such an extent that in some cases only Koda's own experts can make sense of the complex regulations. This needs to change," says the chairman.



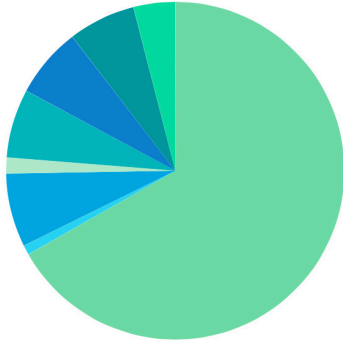
"I hope that Koda's financial triumphs will go from strength to strength, allowing us to reach a turnover of EUR 100 million within short time."

- Niels Rosing-Schow
Chairman of Koda's Board of Directors

Areas of income 2012 - Danish market

Total amount EUR 88 million

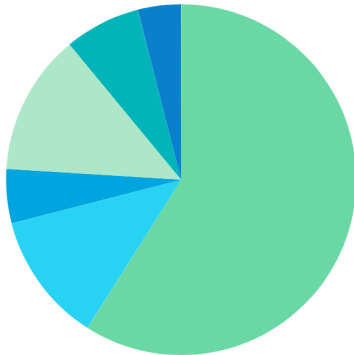
- Radio and TV (transmission and retransmission) – 67%
- Kultur Plus – 1%
- Internet and On Demand – 7%
- Cinema and film – 2%
- Background music in hotels and restaurants – 7%
- Background music, other – 6%
- One-off events/concerts – 6%
- Other entertainment. – 4%



Distributions in 2012

Total amount EUR 77 million

- Radio and TV (transmission and retransmission) – 59%
- Live – 12%
- Internet and On Demand – 5%
- Background music/other – 13%
- Performances abroad – 7%
- For distribution in 2013 – 4%



The chart shows how the distributable amount from 2011 was allocated to the above main areas in the 2012 distribution. The EUR 77 million include certain mechanical rights.

Greater transparency

“Things must be simpler, more transparent, and less expensive to handle. At the same time the Board believes that the distribution plan should, within reason, also reflect a particular attitude to cultural politics; it should continue to support diversity and innovation on the music scene,” says Niels Rosing-Schow. He is pleased by the excellent spirit of co-operation on the Board – and by the fact that the future looks bright for Koda.

“Our co-operation is characterised by great enthusiasm and drive, and we are well on our way to preparing Koda for the future. The budget for the present year is very ambitious. I hope that Koda will be able to continue its impressive growth – and the ongoing work towards greater efficiency, which is partly fuelled by the dynamic management. It is imperative that Koda should continue to trim back its expenses so that we can safeguard our members’ rights in the most efficient and cost-effective manner. If our growth continues we can expect our turnover to pass the 100 million EUR mark before long. And our overall objective is still to ensure the best possible income for our members – in an age where other sources of money in the music business may be drying up,” says Niels Rosing-Schow.



Koda's Board. From the back left: Pia Raug (DJBFA), chairman Niels Rosing-Schow (DKF), employee representative Jens Visby, Ole Dreyer (DMFF). In the front: Jacob Morild (DPA), Peter Littauer (DMFF), Niels Rønsholdt (DKF), Susi Hyldgaard (DJBFA). Missing in the picture: Niels Mosumgaard (DPA) and Tine Birger Christensen



A New Record for Koda

Koda's revenues continue to rise. In 2012 the total income came to EUR 95 million, which is the best result ever seen throughout the history of Koda. This also means that more money will be distributed to the people who created the music. Managing Director Anders Lassen sees Koda's success as a clear indication that the experience economy is an important part of Denmark's future, and that growth and workplaces can be created in Denmark and Europe by focusing on the creative industry.

The total income came to EUR 95 million, an increase of no less than EUR 6 million compared to 2011. However, the results are particularly noteworthy because Koda also brought its administrative expense rate down to a historically low 9.9 per cent. Most collective rights management societies in the world spend approximately 14 to 20 per cent of their income on administration.

"We have every reason to be very proud of these results. We are experiencing great growth, and we are keeping our costs down so that we can pay out more than ever before. That is the very reason for our existence. We must ensure that rights holders receive their fair and reasonable pay – and the costs of doing so must be kept as low as possible. Our strategy of seeking new ways of working more efficiently – and new sources of revenue – really paid off in 2012," says Anders Lassen, who set a new and future-oriented course for Koda when he took up the position as managing director in 2010.

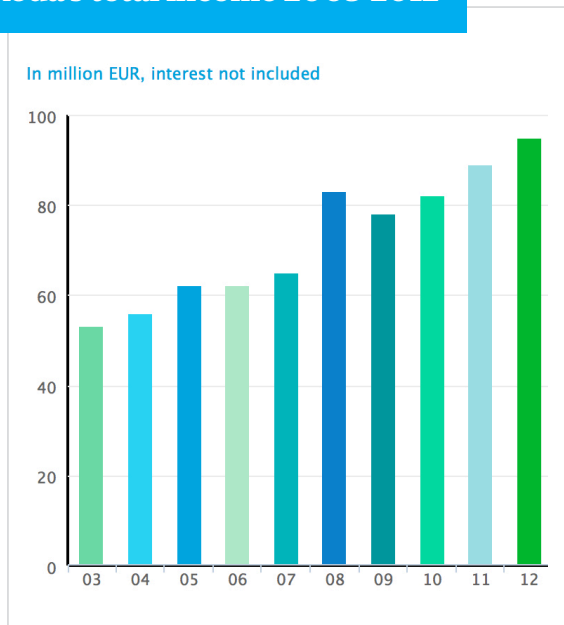


"We have reached new record levels, and at the same time negative press about Koda has reached an all-time low. A general appreciation of what we do paves the way for people wanting to pay."

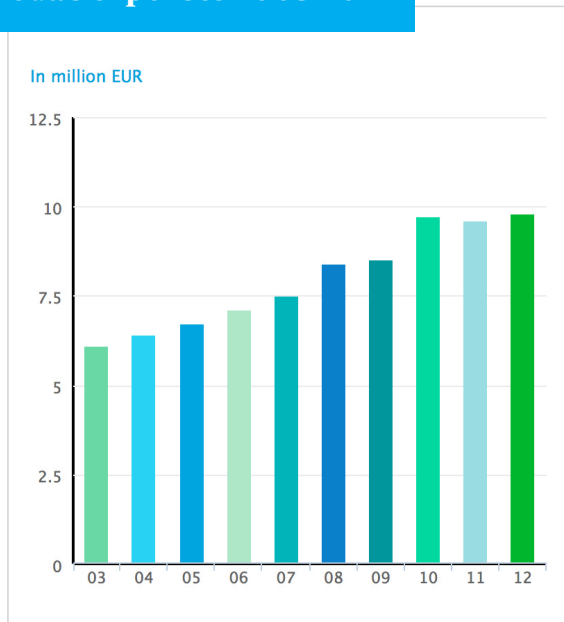
- Anders Lassen
Managing Director



Koda's total income 2003-2012



Koda's expenses 2003-2012



An industry in a state of change

The Danes' media consumption is growing rapidly in scope, as is their desire to listen to music in new ways. The many new TV and radio channels, film via the Internet, digital services from TV distributors, and the impressive growth in streaming services are some of the reasons why Koda's income has grown steadily over the course of the last ten years. At the same time Koda benefits from the increase in media/music consumption generated by new popular technologies such as smartphones and tablets.

"The music business is not undergoing a crisis. It is undergoing a change," says Anders Lassen and continues: "Over the course of the last ten years the total revenue generated by the Danish music industry has remained relatively stable. However, the source of income has moved – from record companies to Koda. This clearly reflects the fact that fewer physical copies are sold, and that distribution has become far more important. Overall, there is now more money for songwriters and composers than ever before. However, challenges still remain at individual levels.

More composers make more money through Koda than ever before. But some make less than before. The most seriously affected are mainstream acts that previously received a great deal of airplay on nationwide radio station and also sold many CDs. Now, sales of CDs have plummeted, and much music has been delegated to niche radio stations. And where streaming is concerned the consumers listen to a wide variety of acts. So it is easier to get heard than ever, but the revenues must also be distributed among far more people than ever," explains Anders Lassen.



Koda spearheads the efforts

While the managing director is very pleased with the splendid results, he also focuses a great deal of attention on those core members who are experiencing a downward turn in income. They are offered courses, education, business-related consultancy services, and initiatives such as the “Music Cookbook”, which contains tips on new potentials and possibilities in the realm of technology.

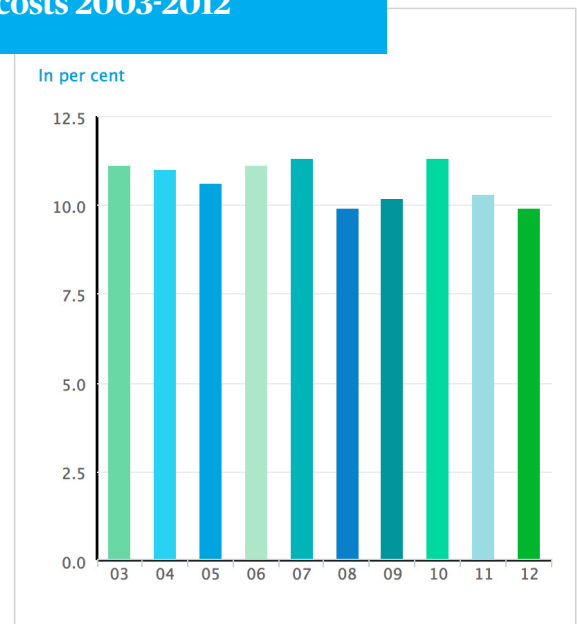
The tremendous technological developments have positive and negative consequences, and the general economic slump also makes itself felt in Koda.

“Media consumption has virtually exploded, but the recession also means that people don’t go out as much as they used to, and smaller concert venues in particular are cutting back. We see that the downturn affects concerts, shops, cafés, and restaurants. Even so, we have avoided a noticeable downturn in revenues from these areas by casting a more finely meshed net amongst the Danish restaurants, cafés and shops so that we can be sure we pick up everything that’s there. This has required quite a lot of outreach work, which has helped generate new income. We visit more than 6,000 places in one year, partly because many restaurants and shops change hands regularly,” says Anders Lassen. Even though concert venues are struggling Koda’s income from general entertainment rose from EUR 2.7 million to EUR 3.5 million from 2011 to 2012. The large revenues generated by major concerts, shows, cabarets etc. clearly demonstrate how culture can be a catalyst for growth.

A study created last year by the Danish consultancy firm Rambøll showed that the music industry contributes EUR 657 million to the Danish economy every year, and according to Anders Lassen the creative industries will become increasingly important as workplaces and growth generators in future.



Koda’s administration costs 2003-2012



Content is key

“Many politicians have this idea that the IT and telecom industries will drag us out of this recession, but that is entirely wrong. Just look at the iPhone. It makes no contribution to growth in Europe at all. It was designed in the USA and produced in China. There are virtually no jobs left in Europe within the production of mobile phones or PCs. However, the content on our smartphones and tablets is competitive throughout the world. European music, literature, art, and film is admired and in demand everywhere.

Many things can be outsourced to China, but our culture cannot. There is a lot of talk about “Digital Europe”, but really we should aim towards a “Creative Europe”. I believe that our culture and creativity can become the salvation for a recession-ravaged Europe. It can generate growth and new jobs, and in 2013 Koda will join our European affiliates in putting this message on the agenda. If music is to lead the way towards this “Creative Europe” we must continue to come up with new business models and ensure the politicians’ support for safeguarding copyright – which is the basis for all creative endeavours,” says Anders Lassen.

He does not hesitate to set up ambitious targets for Koda. In 2013 the budget estimates a total income of EUR 98 million and we are quickly approaching the EUR 100 million mark.

The community of music

If this ambitious target is met it will provide more much-needed money to the rights holders represented by Koda, enabling them to focus on what they do best: creating music that touches us, makes us party, comforts us, or gives us food for thought.

“Sometimes it is also good to be reminded that music contributes something whose worth cannot be measured in money. For example, I attended a funeral last year where everyone was downcast and sad, but when the organist began to play a hymn the effect was like pushing a button: Everyone began to cry all at once. This episode shows us what music does to us and what it really is at its core. Music possesses a mysterious magic that goes far beyond mere maudlin sentimentality. It offers direct access to a sense of community that cuts across barriers of age, culture, and language. That is why Bruce Springsteen was able to transform the Roskilde Festival to a powerful celebration of life – and why a young Danish soul singer like Lukas Graham is having such success in Denmark and abroad. We would lack an essential aspect of life if no-one wrote good, relevant, and poignant new music. Koda ensures that the people who create that music have a fair financial framework to support their work,” concludes Anders Lassen.



New Deputy CEO

Focus on co-operation and growth

In 2012 Koda introduced a new position, that of deputy managing director, in order to modernise the organisation even further and to introduce a breath of fresh air. By appointing Gorm Arildsen as deputy managing director KODA combined two top management positions in one. This strengthens in-house co-operation in Koda and increases efficiency overall.

Gorm Arildsen has been as busy as the rest of Koda ever since the summer of 2012, when he went from being sales manager with the international insurance company Euler Hermes to become deputy managing director in Koda, a new position created at Koda.

With the arrival of Gorm Arildsen two positions were joined to become one, marking an end to the practice of having separate Koda directors for the operational and commercial aspects of the business. Merging the two areas has paved the way for better, easier co-operation across the organisation. Objectives and expectations have been made clearer to all, ensuring that everyone now knows more about the work being done by their Koda colleagues in other parts of the organisation. Gorm Arildsen has inspected every nook and cranny of the organisation in order to identify Koda's particular strengths – and, of course, potential for improvement. During his first five weeks on the job the new deputy managing director held 96 meetings with Koda employees, and during the course of these conversations he would ask all interviewees to point to three strengths – and three challenges – in the organisation.

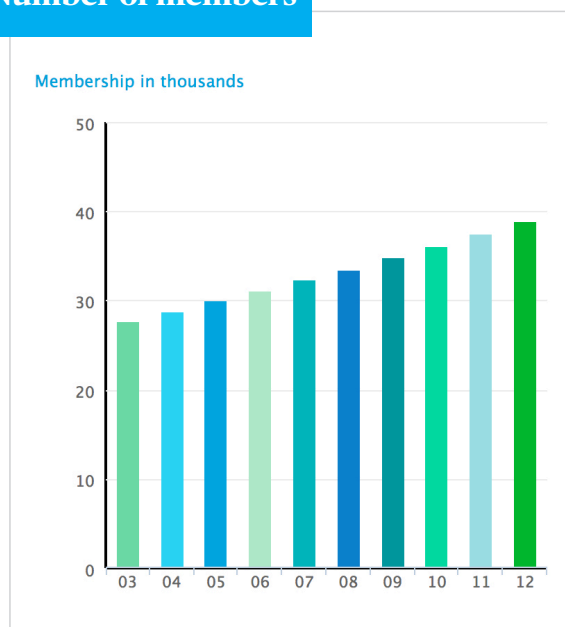


A worthy cause

“That process gave me real insight into the organisation,” says Gorm Arildsen. “One of the recurring themes in the replies was that the employees enjoy working for a worthy cause where the results are something to be proud of. Koda is characterised by an excellent working environment where the colleagues appreciate each other. In terms of challenges we could be better at co-operating across the various departments. And while we are good at launching projects we are less efficient when it comes to finishing them. The employees would like to see better project management.”

All of the contributions and ideas offered have been incorporated into Koda’s new internal action plans. These plans aim directly for specific, real results and will help improve the organisation’s finances even further. The objective for 2013 is to generate income in the region of EUR 98 million. This would mark a considerable increase compared to the 2012 income of EUR 95 million – which was in itself a record-breaking result within the history of Koda.

Number of members



Concrete plans

“We must dare to challenge ourselves. However, the overall objectives set by the management can seem rather abstract to individual employees. That is why our action plan for 2013 is more concrete and more measurable than before. We have overall objectives for all teams, and these have been converted into specific, concrete expected results for each employee. Now we have weekly or monthly budgets for each employee and for each project. We offer our employees training on good project management in order to ensure a consistently professional approach. Greater priority is also assigned to internal communication; for example, I send out an email every Friday to brief everyone on what is going on in Koda right now.



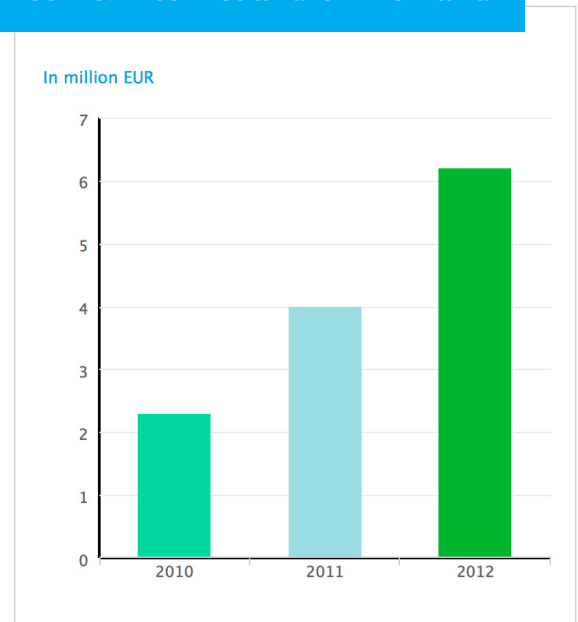
The topics addressed can be everything from the management's strategies to specific events and onwards to individual success stories – small and large. All of this is part of the ongoing change in Koda, which means that we will no longer skirt around our issues and problems. Now we aim to weed them all out, grabbing them firmly by the roots. The Koda employees help set all the targets and objectives. We have looked into the many possible projects for improvement and have as yet chosen 20 focus areas. All this will help us translate our strategies into reality, ensuring greater efficiency, no rise in costs, increased revenues, and greater value to rights holders, customers, and the music scene," says Gorm Arildsen.

Streaming success

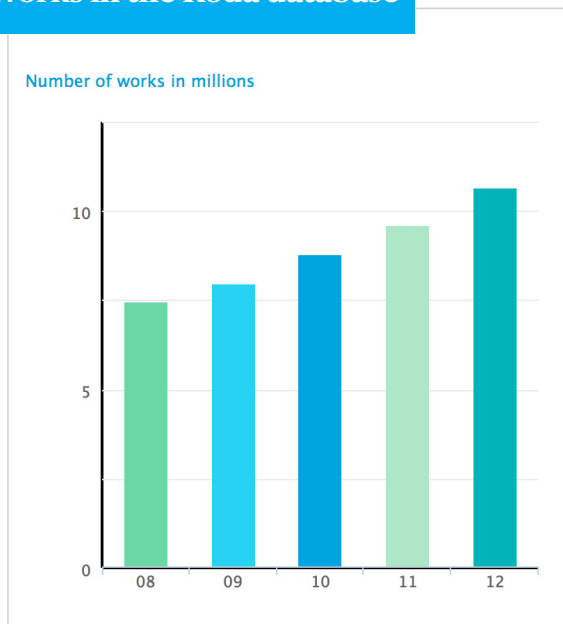
In 2012 Koda experienced a growth rate of no less than 53 per cent within Internet/on demand services. Part of the explanation for this explosive growth is the tremendous rise in the availability and usage of popular streaming services such as Spotify and WiMP (Wireless Music Player). Gorm Arildsen sees major potential for growth as regards revenues generated by streaming.

"If we look to Norway and Sweden, where streaming had its breakthrough earlier than in Denmark, we can expect to see a strong rise in income from this area in the years to come. Now, almost 300,000 Danes pay subscription fees to a streaming service, and just two years ago that number was virtually zero. Five years ago we saw almost no revenue generated by music on the Internet. We have good reason to hope that the streaming market in Denmark will eventually stabilise at around 1 million paying Danes," says Gorm Arildsen and goes on: "Things are looking really good as far as revenues from radio and TV are concerned, and we are confident that the media will continue to increase their consumption of music. But the question is whether Koda can expect significant economic growth within radio/TV in the long term now that Internet-based TV can challenge cable TV.

Income: Internet and On Demand



Works in the Koda database



Overall we are still looking for new sources of revenue, and right now we see growing interest from supermarkets who have once again begun to enter into agreements about the use of background music. They have noted that their turnover drops if they do not play music, so more of them are coming back and setting up agreements. This is a positive trend, and we will launch a total of 15 revenue-generating campaigns in 2013.”g services such as Spotify and WiMP (Wireless Music Player). Gorm Arildsen sees major potential for grown as regards revenues generated by streaming.

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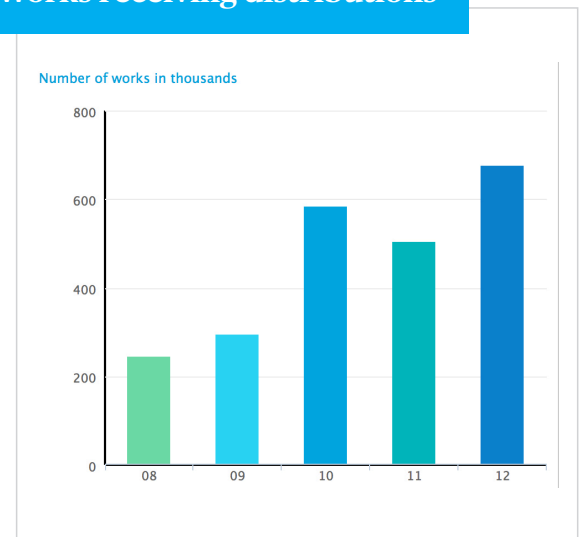


Fine-tuning the engine room

Another reason behind Koda's excellent results for 2012 is the fact that data treatment has been rendered far more efficient. Even though the number of works receiving distributions is booming right now Koda's expenditure on IT is decreasing.

"This has been made possible by various initiatives aimed at making the organisation more efficient and by our greater focus on international co-operation, e.g. with our sister societies in Norway and Finland. We must focus on our core business. Koda shouldn't devote more resources to IT development work when we can get others to help us. We save a lot of money by co-operating with other collective rights management societies and NCB. We have been able to cut out five positions in our administration while still making our engine room even more efficient. We are now better able to handle increases in the number of works to be handled," says Gorm Arildsen.

Works receiving distributions



More money flows across borders

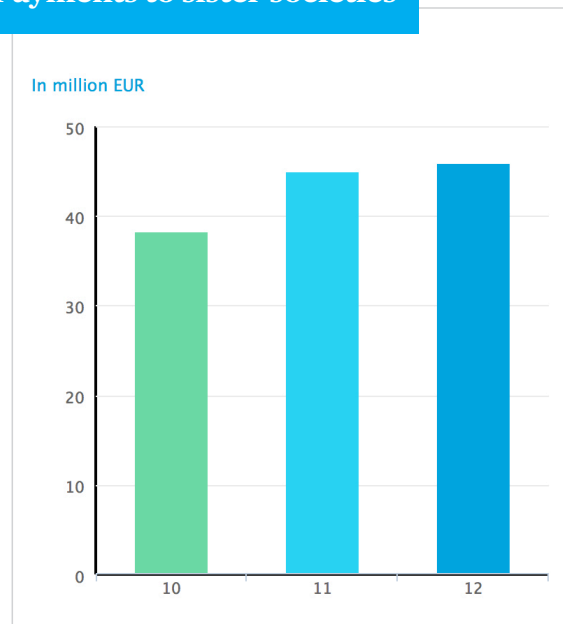
Koda collected more money for foreign rights owners, but also received more money from abroad for its own members in 2012. Radio playlists were dominated by acts such as Gotye, Train, and Kelly Clarkson.

The flow of money from Danish music consumers to composers abroad is growing ever larger. From 2011 to 2012 we saw an increase of 1.8% in payments made by Koda to members of other rights management societies – from EUR 45.0 million to EUR 45.8 million.

However, KODA's payments to rights management societies abroad are not alone in growing larger. In 2012 KODA also received more money from abroad to its own members. A total of EUR 6.4 million was collected, marking an increase 1.8% compared to the previous year.

So even though Danish composers have seen an increase in revenues generated abroad we still send far more money out of Denmark than comes in. Indeed, Koda collects around seven times more money for other rights management societies for the use of foreign music in Denmark than we receive for the use of Koda members' music abroad.

Payments to sister societies



Money to and through our Swedish neighbour

The Swedish rights management society STIM receives more than a third – approximately EUR 18 million – of Koda’s payments to societies outside of Denmark, making it Koda’s largest single recipient of its kind. This is partly due to the fact that Sweden has many excellent composers, and to the fact that many multinational music publishers use membership of STIM to cover all 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 Sweden. At the same time STIM is also the one organisation to send the largest amount of money back to Koda members – approximately EUR 1.3 million.

The second-largest recipient of funds from Koda is PRS (UK), which received EUR 9.6 million in 2012, followed by the American organisations ASCAP and BMI. Denmark has always imported music, and it is hardly surprising that we listen to a lot of music from English-speaking countries such as UK and USA.

Australian radio dominance

Indeed, the most frequently played song on Danish radio stations hailed from about as far away from Denmark as it is possible to get. The Australian Wally de Backer – better known as Gotye – and Louiz Bonfa broke through all barriers with the worldwide hit ‘Somebody That I Used to Know’ as far back as the autumn of 2011. The distinctive song proved so long-lived that it was the most played song in Denmark in 2012, both on commercial radio stations and on the two main radio channels of the state-owned broadcasting corporation Danmarks Radio.

Top played foreign composers in Denmark 2011

1	Max Martin
2	Lady Gaga
3	Shellback
4	George Michael
5	Adele
6	Dr. Luke
7	Michael Jackson
8	Ryan Tedder
9	Per Gessle
10	Bruno Mars



Top 20 - society - distribution and received 2012 vs. 2011

Society	Distribution		Received	
	2012 (EUR 1,000)	+/-2011 (%)	2012 (EUR 1,000)	+/-2011 (%)
STIM	17,823	4.3	1,294	-1.3
PRS	9,628	6.6	342	-57.6
ASCAP	5,311	-4.0	238	76.7
BMI	4,748	-18.2	133	73.9
GEMA	2,324	20.7	842	5.9
SACEM	1,735	4.6	216	-6.2
TONO	900	30.5	802	-8.0
SOCAN	702	2.3	83	27.5
APRA	431	11.2	83	-15.7
SESAC	366	-3.9	-	0
SIAE	305	4.8	200	-16
BUMA	263	-3.8	477	211.2
SGAE	191	50.7	193	121.4
TEOSTO	152	4.7	439	1.5
AKM	146	-26.5	137	52.6
IMRO	132	20.1	21	-18.7
SUISA	96	28.7	158	5.7
SABAM	90	-29.5	42	-56.1
JASRAC	82	38.1	281	69.8
ZAIS	37	103.9	72	1.3
Other	326	-8.4	346	1.2
Total	45,790	1.8	6,400	1.8

Top 10 in 2012 on P3 and P4

	Titel	Composer/songwriter	Artist
1	Somebody That I Used to Know	Wally De Backer/Louiz Bonfa	Gotye feat. Kimbra
2	Drunk In The Morning	Lukas Forchhammer/Stefan Forrest/Sebastian Fogh/Morten Ristorp/Mark Falgren/Magnus Larsson	Lukas Graham
3	Call Me Maybe	Tavish Crowe/Carly Rae Jepsen/Joshua Ramsay	Carly Rae Jepsen
4	Easter Island	Frederik Vedersø	The Eclectic Moniker
5	Tomgang	Shaka Loveless/Søren Schou/ Andreas Keilgaard	Shaka Loveless
6	What Doesn't Kill You (Stronger)	Ali Tamposi/David Gamson/Greg Kurstin/Jörgen Elofsson	Kelly Clarkson
7	We Are Young	Nathaniel Joseph Ruess/Jeffrey Bhasker/Andrew Dost/Jack Antonoff	Fun feat. Janelle Monáe
8	Vacation	Anders Bønliøkke/Anders Stig Gehrt Nielsen	Alphabeat
9	City Boy	Cato Sundberg/Kent Sundberg/Espen Berg/Simen M. Eriksrud	Donkeyboy
10	Drive By	Pat Monahan/Espen Lind/Amund Bjørklund	Train

Top 10 in 2012 on commercial radio

	Titel	Composer/songwriter	Artist
1	Somebody That I Used To Know	Wally de Backer/Louiz Bonfa	Gotye feat. Kimbra
2	Drive By	Pat Monahan/Espen Lind/Amund Bjørklund	Train
3	What Doesn't Kill You (Stronger)	Ali Tamposi/David Gamson/Gregory Kurstin/Jörgen Elofsson	Kelly Clarkson
4	Glemmer Dig Aldrig	Kasper Svenstrup/Engelina Larsen/Thomas Vendelboe	Svenstrup & Vendelboe feat. Nadia Malm
5	Kl. 10	Jeppe Federspiel/Rasmus Stabell/Medina	Medina
6	Someone Like You	Adele Adkins/Dan Wilson	Adele
7	Titanium	David Guetta/Giorgio Tuinfort/Nick Van de Wall/Sia Kate I. Furler	David Guetta feat. Sia
8	Millionær	Nicolai Seebach/Ankerstjerne/Rasmus Seebach	Rasmus Seebach feat. Ankerstjerne
9	City Boy	Cato Sundberg/Kent Sundberg/Espen Berg/Simen M. Eriksrud	Donkeyboy
10	Payphone	Ammar Malik/Shellback/Adam Levine/Dan Omelio/Cameron Jibril Thomaz/Benjamin Levin	Maroon 5 feat. Wiz Khalifa



Cultural contributions

Good national branding leads to good agreements

In Denmark Koda has a crucial impact on the overall music scene. Not just by ensuring that composers are paid for the music they create, but also by nurturing talents and specific music scenes. This is done via Koda's cultural contributions. A total of 10% of Koda's profits are used to support events, productions, and other concepts that help promote music's overall presence and profile – the Danes have never before listened to as much music as they do today.

A thriving music scene helps promote interest in and use of music in Denmark. But the cultural contributions also serve another, equally important function: With its active support and funding Koda reaffirms its position and brand as an important and useful institution in Danish society – and these efforts are aimed equally much at the many music consumers and at the politicians whose legislative decisions help set out and secure the framework for Koda's work and profits.



"I regard Koda as the cornerstone of a well-functioning set-up for rights owners within the field of music, and as minister for culture I am pleased to see how Koda also takes on an active part in supporting the Danish music and cultural scene, helping it grow and evolve."

Photo: Nicolas Tobias Følsgaard

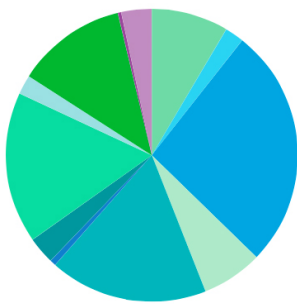
- Marianne Jelved
Danish minister for culture



Cultural Contributions: Expenditure breakdown

Total amount EUR 7.7 million

Production and publication – 8.5%	Scholarships – 26.6%
Sheet music production – 2.1%	Scholarship residences – 6.7%
Scholarship residences – 6.7%	Concerts – 17.5%
Honorary scholarships and awards – 0.7%	Courses – 3%
Courses – 3%	PR – 16.7%
Administration – 12.2%	Legal advice – 2.1%
Transitional allowances – 0.4%	Other purposes – 3.4%



The figure shows how the cultural contributions funds from 2011 were spent in 2012.

“I regard Koda as the cornerstone of a well-functioning set-up for rights owners within the field of music, and as minister for culture I am pleased to see how Koda also takes on an active part in supporting the Danish music and cultural scene, helping it grow and evolve.”

This statement from the Danish minister for culture, Marianne Jelved, reflects how Koda is perceived as an important co-player within cultural policymaking.

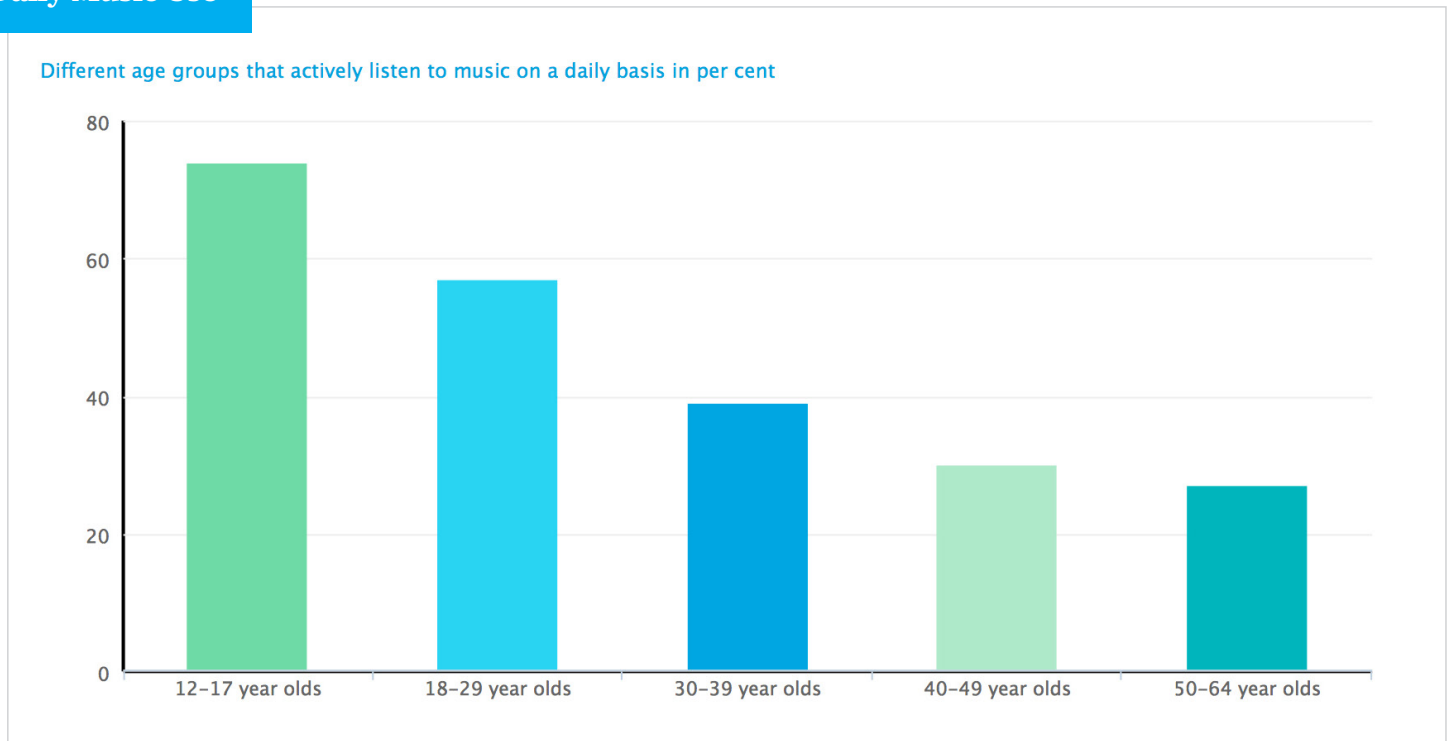
In the eyes of Koda, the use of cultural contributions is not just about supporting the music scene and its artists directly. They also represent an investment in promoting and exposing the value of music, thereby reinforcing our good reputation, which in turn paves the way for good agreements and, hence,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

The Danes love streaming

Koda carefully monitors all developments in Danish media consumption and habits. Our most recent media study shows that almost half of the Danish population has now become acquainted with one or more of the major streaming services. At the same time the study shows that streaming is no longer the sole province of the young, and that there is a general increase in the Danes' willingness to pay for music online.

Since 2010 Koda has carried out several studies of Danish media consumption. These studies provide us with a clear image of the major changes that are happening these years. Our most recent Koda study was carried out via a YouGov panel in March of 2013, and it is clear to see how the growing digitalisation has entailed a radical change in our music consumption habits – and from Koda's point of view this development has numerous positive features.

Daily Music Use



Steady rise in streaming

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 was still only available to consumers with telecommunication subscriptions with Telenor. Since then, however, even more user-friendly streaming services have become available to the Danes, and this definitely affects our behaviour when it comes to listening to and using music.

At this point in time one in four Danes stream music every day, and more than half of us stream music on a weekly basis. The group of Danes for whom streaming has become a natural part of every day has risen again within the last year. Now, 17% of all Danes stream music on several occasions throughout the day. In January of 2012 the corresponding figure was 14%.

Amongst the youngest audiences streaming has become an everyday source of music for more than half of them: no less than 64% of the 12-17 year-old respondents stream music every day.

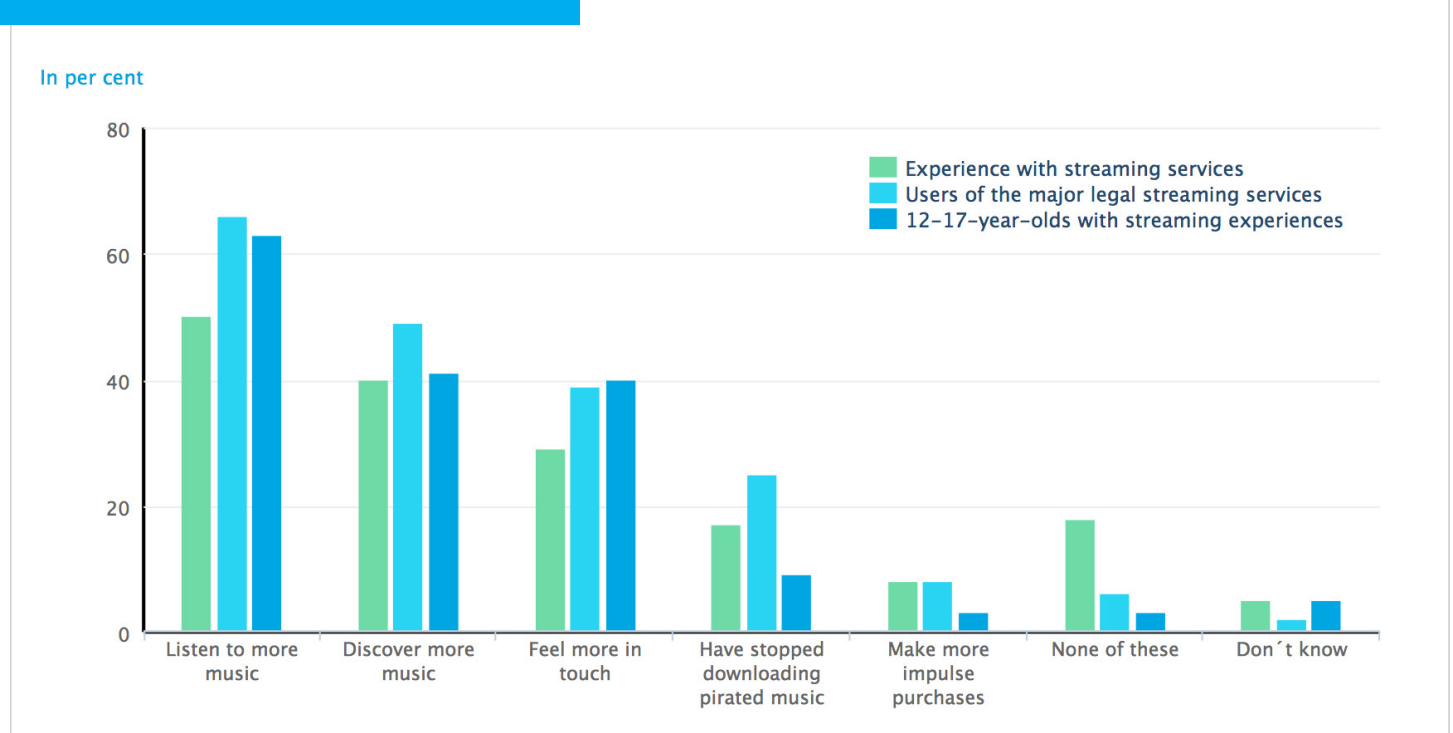
Facts about streaming

- **24% of the Danish population stream music every day**
- **17% stream music several times a day**
- **50% of the Danish population stream music every week.**

Streaming changes consumption patterns

Generally speaking streaming causes consumers to change their behaviour. In the Danish market consumers particularly state that streaming services have prompted them to listen to more music, to discover more new music, and to feel more up-to-date with the music scene.

What does streaming mean to users?



Streaming counteracts piracy

If we take a closer look at the major streaming services that have entered into agreements with Koda the changes in behaviour become particularly obvious. Within this rapidly growing group of consumers one in four now says that they have stopped making illegal downloads after becoming acquainted with a streaming service. And almost half of them state that they discover new music thanks to the streaming services.

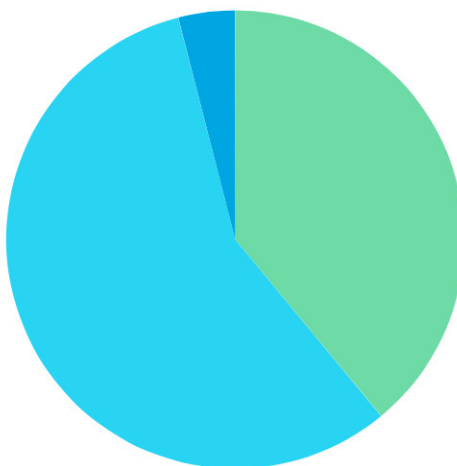
Great willingness to pay

The Danes have embraced streaming, and the growth in the market is mainly focused on the large licensed services. Today, 44% of all Danes have used Spotify, WiMP or TDC Play. 25% use one or more of these services "every day" or "often". And fortunately the number of Danes who pay for access to a streaming service is also growing. Today 14% state that they pay for access to one or more streaming services; the corresponding figure for 2012 was 11%. This is to say that the number of Danes who pay for using music via streaming services has gone up by 27% over the course of the last year.

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

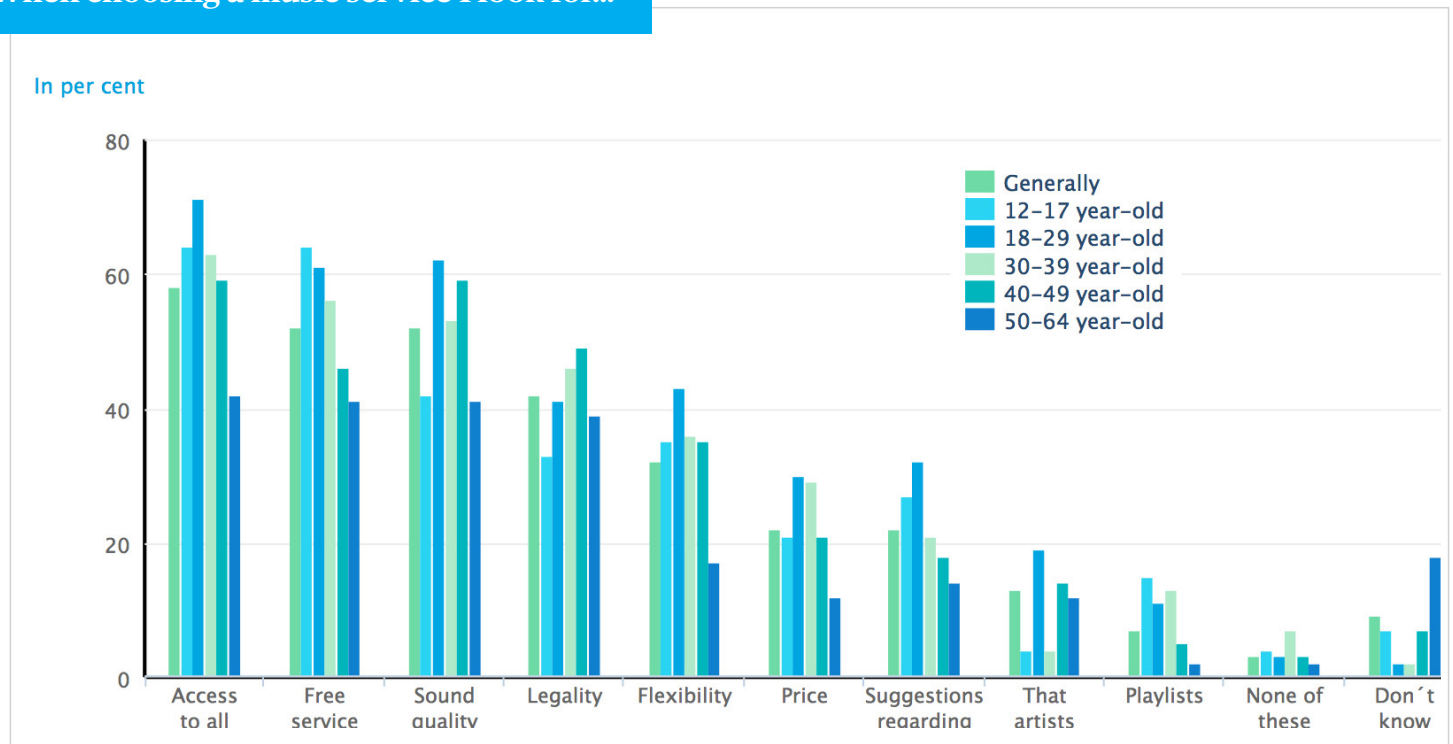


Knock-on effect

40% of all the Danes who stream music also discover music they did not know before. Almost all of them (89%) return to their new discoveries – and for one-third of those who find new music on the streaming services their encounter with a new artist becomes a lasting relationship. For no less than 38% state that they revisit their new discoveries to a “great” or “very great” degree.

In a great many cases the discovery of new music also leads to additional purchases. 39% state that their discovery of new music has prompted them to buy music, concert tickets, or merchandise featuring the artist.

When choosing a music service I look for...



All of it – and preferably cheap

When Danes select a music service the most important parameter for them is that it must offer access to all music, that the music is of good quality, and that it is free. They are less interested in whether the artists who wrote and played the music are paid. Only 13% emphasize that last point. Even though the figure has not risen since 2012 there are nevertheless reasons for cautious optimism.



For the relative number of Danes who put emphasis on the service being free is dwindling, while the relative number of those who emphasise that the service is legal is on the rise. As is the number of people who put emphasis on having a low-cost service. So if free isn't an option, cheap is an acceptable alternative.

Ownership is unimportant

As the Danes are embracing streaming, the concept of ownership of music comes to mean less and less. Even as far back as 2010 it had become less important to respondents. At that point a little more than half of all respondents stated that it was of "little" or "no importance" for them to have music stored on their computer or on their shelves. The trend continues in 2013, and the drop in the significance accorded to owning music is approximately equally great amongst all age groups. Now, one in four state that it is no longer important to them to own the music. What may be even more surprising is that this trend extends to all age groups. It is true that the very young are still in the vanguard here, for no less than 45% of the 12-17 year-olds state that ownership of music is not important to them – or that they prefer streaming instead. But in fact the same thing holds true for approximately one third of the respondents in all the other age brackets.

The CD is marginalised

In 2013 the computer will finally take over the CD's position as the preferred source of music. Mobile music media such as mp3 players, tablets, and mobile phones are increasingly becoming the Danes' favourite media for listening to music. And the latest study quite unsurprisingly presents a bleak outlook for the CD's future and overall importance as a music medium.

If we consider when the Danes last bought a CD we see that the CD is an endangered species in Danish children's rooms. In all age brackets there is a rise in respondents stating that more than five years have passed since they last purchased a CD – except amongst the 12-17 year olds. Now, a total of 14% of all respondents state that more than five years have passed since they last bought a CD for themselves, and seven per cent state that they do not own a single CD. This is to say that the number of Danes who do not own a CD at all has risen by 75% in the last year.



Streaming is the new MTV

Since 2010 streaming has become a serious new contender amongst more traditional media when it comes to being a main source of new music for Danes, and in this regard the importance of streaming has doubled since 2010. Now, streaming services is the second most important source of discovering new music for the Danes, whereas the influence of TV and radio 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. This is still the case in 2013, but their importance has become even more pronounced. Almost every other 15-year-old has found their latest favourite song via a streaming service or a social medium such as Facebook.

Amongst the older part of the population radio continues to be the most important source for discovering new music. But this is also the group where the importance of streaming services has seen a great rise over the course of the last three years. Whereas streaming services were virtually unknown to the 50-64 year-old age bracket in 2010, streaming has now become a platform for discovering new music for 8% of this age group.

The study was carried out in co-operation with the market research firm YouGov. A total of 1014 CAWI interviews were carried out in March of 2013, covering respondents between the ages of 12 to 64 who listen to music on CDs, mobile phones, computers, or mp3 players (such as an iPod).



Head of Legal and International Affairs

Koda: A modern and efficient organisation

Koda experienced tremendous financial progress in 2012. The organisation is taking firm action to become even more efficient and boasts an administrative expense rate at record-breaking low levels. The objective is to continue to generate increasing value for rights holders and customers.

Jakob Hüttel, Head of Legal and International Affairs at Koda, keeps a watchful eye on any legislative changes that may affect the approximately 39,000 members of Koda and all the foreign rights holders that Koda represents in Denmark. He is very pleased to note the record-breaking results of 2012 where Koda's income exceeded EUR 95 million.

"The excellent results serve to consolidate Koda's position as one of the world's leading collective rights management societies. In 2012 we have increased our income, lowered our costs, and taken even more steps towards greater efficiency. This makes Koda an obvious choice of partner for multi-national music publishers who wish to have their rights managed on the Danish market. Koda works tirelessly to maintain its position as the primary entity for managing music rights in Denmark. We are a modern rights management society and firmly believe in a flexible approach as we accommodate the changing wishes and demands both of the rights holders we represent and of the customers we serve. We believe in open and transparent conduct and speedy yet accurate distributions – and we have what may well be the world's lowest administrative expense rate. In 2012 it came to just 9.9 per cent, a very low figure compared to many other comparable collective rights management organisations," says Jakob Hüttel.



Jakob Hüttel, Head of Legal and International Affairs, is pleased that Koda has what may be the lowest administrative expense rate of all comparable collective rights management societies.

Jakob Hüttel
Head of Legal and International Affairs



Unique alliance

The Danish management society is also at the vanguard in the struggle to protect copyright. For example, Koda supports the Danish Rights Alliance (“RettighedsAlliancen”), which funds campaigns against illegal file sharing and persecutes criminal file sharers on behalf of rights holders working within film, music, writing, and design.

“The Rights Alliance is a unique and very wide-ranging collaborative partnership where we fight unscrupulous and systematic infringements of copyright. By rights this work should be undertaken by the Danish authorities, but given the fact that they show no initiative in pursuing cases of this kind we are forced to gather evidence through the Rights Alliance and handing over that evidence to the police,” says Jakob Hüttel.

He refers to a study showing that piracy is amongst the least risky forms of crime while yielding some of the greatest profits.

Lobby and international initiatives

“Many people think that piracy has long since been shot out of the water by the successful legal music and film services available now. But that is not the case. Large-scale illegal file sharing remains rife, and Koda actively seeks to curb such systematic crime,” says Jakob Hüttel and continues:

“Koda does not distribute funds for social purposes or pensions, etc. Rather, we use the cultural funds to support initiatives aimed at supporting a vibrant music scene. For example, we help send Danish composers to international co-writing events, workshops, and on tours abroad. At the same time we engage with politicians to spread the message that copyright must be sustained – and that it helps generate growth in society in general. Only by recognising and respecting copyright can we support the creative industry, enabling it to thrive and generate new workplaces in Europe. This potential for growth will wither if the rights holders lose their opportunities for getting paid for their efforts.



We endeavour to be a modern non-profit society that is happy to comply with demands for good governance and transparency. Koda is already spearheading the efforts made in this area. For this reason we are also pleased to see that the EU Commission and the European Parliament will in all likelihood soon introduce a directive on collective rights management. This will promote greater openness and transparency in the business of collective rights managements societies across Europe. The directive will also address cross border licensing and in this regard Koda has prefigured the recent developments years ago with the Nordic collaborative scheme that has received much praise under the heading "The Nordic Model". This partnership between the Nordic societies makes it easy for our customers to set up agreements across eight countries in the Nordic and Baltic region, and it helps us reduce our costs, ensuring that the payments to the rights holders we represent are as large as possible," says Jakob Hüttel.



Artists on Koda



"This spring I celebrated my 21st year as a Koda member. That relationship is important to me. It creates value, and for me it has helped give me a free space in which I can create. That kind of free space can never be underestimated. It is where the magic often happens, where you make something that you can really use in your work. That is why Koda works for me."

Photo: Paul Wilson

- Ida Corr
Singer and songwriter



"Throughout our career Koda has been a great support for us; it has been crucial for our continued ability to create music. We have come across quite a few rights management organisations in the world today, and we are extremely happy that Koda is the one that we're members of."

Photo: Andreas Koefoed

- Rasmus Stolberg (centre)
Bass player and manager for Efterklang



"Koda is a quite unique organisation – even when you take the whole world into account. There is a lot of debate concerning copyright these years, and I consider myself lucky to live in a country where I am backed by such a strong organisation. The years to come will be decisive in terms of maintaining copyright in Denmark, in the EU, and worldwide. I haven't made much use of various subsidy and support schemes, but I am very grateful to Koda for its professional and dedicated efforts."

Photo: Andreas Koefoed

- Jesper Mechlenburg
Composer and producer





"Koda is absolutely crucial for the continued existence and development of Danish original music. Particularly because Danish is such a small language; without Koda many Danish composers and writers would need to look for other ways to make a living. Koda ensures that we can focus on creating music safe in the knowledge that all usage of our work will in fact trigger the remuneration we have the right to receive. Receiving my annual cheque from Koda always makes me stand up straight, propelled by a modest measure of pride in the fact that my compositions have represented a certain value in the community and society of which I am part."

Press photo

- Sigurd Barrett

Pianist, composer and television personality



"Koda gives me greater security in my everyday life and work as a creator of music. My annual Koda payments have very much helped enable me to live off my music – and I have been able to do that for some years now."

Photo: Playground Music

- Julie Maria

Singer and songwriter



"Koda is a very important co-player for all musicians, and I think that holds true no matter how big or small a name you are. Koda collects money on my behalf, and they keep track of rights-related issues associated with the music I make. I am grateful to be part of a system that keeps track of all air-play on radio, TV and elsewhere, for I would never be able to handle it on my own."

Press photo

- Sebastian Lind,
Svvinger/songwriter



"The way I see it Koda offers the best rights management in the world. Lately I have worked abroad quite a lot, and I have gotten a lot of assistance on how to get everything to work smoothly as far as rights are concerned. Even when I have accused Koda of being stuck in a rut of old routines I am met by openness and flexibility. Koda may be a huge supertanker of an organisation, but even so I think that they are good at navigating the reality in which we now find ourselves."

Press photo

- Frans Bak
Composer



Koda's customers about using music

"Music is important to us because it helps create the right ambiance for the universe we seek to build for our customers."

- **Allan Jørgensen**
Samsøe & Samsøe

"Emmerys is the place to go to enjoy luxury bread and cakes based entirely on organic produce. We work hard to ensure the quality of emmerys' products and shops. Emmerys must be a preferred place to go, and our customers should be able to relax to the sounds of carefully selected music. Music is very important to us: it helps us create the right setting for the optimum customer experience."

- **Julie Bach Friis**
emmerys

"At Arp-Hansen Hotel Group we use music and TV in all our hotels, in several of our restaurants, and in certain communal areas. A television set is quite simply a required commodity in any hotel room, as is radio and music. Having muted background music in public areas is a good investment, for we all know that music has a calming and inspirational effect on staff and customers alike. We couldn't do without background music and TV."

- **Bent Holst**
Arp-Hansen Hotel Group

"Today we manage the music we play as part of our business concept; we select music that specifically reflects our customer segment and the current season of the year. Music has many facets that have their wellspring in fashion, reflect the current trends, or somehow contribute to fashion. All these factors mean that music is a natural part of visiting a clothes shop today."

- **Steen Hedegaard Christensen**
Bestseller



Financial Review 2012

All amounts in EUR 1,000

The original figures are in DKK. All figures in EUR have been calculated using the Danish National Bank's exchange rate as of 31 December 2012.

Income Statement 1 January - 31 December

Note	2012	2011
Music Revenue, Denmark	87,897	81,974
Music Revenue, Faroe Islands	418	474
Music Revenue, Greenland	345	437
Music Revenue from Abroad	6,400	6,289
1 Music Revenue, total	95,060	89,174
2 Administrative Costs	-9,368	-9,305
Profit before depreciation and other items	85,692	79,869
Restructuring costs	-282	0
3 Depreciation	-188	-294
Profit before financial income	85,222	79,575
4 Net financial income	3,907	4,400
Profit before tax	89,129	83,975
Corporate tax	0	0
Profit before distribution	89,129	83,975
5 Distribution to rights holders	-89,129	-83,975
Profit after distribution	0	0

Balance as of 31 December

Note	Assets	2012	2011
	Liquid funds	14,920	18,490
	Debtors	919	1,768
6	Securities	70,927	62,927
	Development projects	250	0
7	Property	12,476	12,476
8	Fixtures and fittings	357	333
	Capital shares, Koda ApS	41	0
	Accrued interest	0	26
	Accruals	167	182
	Other receivables	2,772	2,014
	Total assets	102,829	98,216
Note	Liabilities	2012	2011
9	Contribution to cultural purposes	8,494	8,353
10	Collective private copying payments	570	536
	Provision reserve, property	3,788	3,868
11	Other creditors	3,130	5,216
	Accrued Distribution, abroad	3,324	3,224
12	Accrued Distribution, domestic	83,523	77,019
	Total liabilities	102,829	98,216
13	Contingent liabilities, etc.		



Notes

All amounts in EUR 1,000

The original figures are in DKK. All figures in EUR have been calculated using the Danish National Bank's exchange rate as of 31 December 2012

Note 1

Music Revenue	2012	2011
Primary transmission on radio and TV and retransmission	58,440	56,901
Kultur Plus	867	455
Internet and On Demand	6,178	4,030
Cinema and film	1,367	1,479
Background music in hotels and restaurants	5,829	5,793
Background music, other	5,943	6,032
One-off events/concerts	5,654	5,902
Other entertainment	3,518	2,673
Bad debts provisions	864	-380
Music revenue from abroad	6,400	6,289
Music revenue, total	95,060	89,174

Note 2

Administrative costs	2012	2011
Staff costs	-7,810	-7,677
Reimbursement for administration	329	249
Consultancy	-832	-632
Market information and PR	-224	-193
Travel, meetings, and representation	-316	-326
Rent, profits	299	314
Rent, costs	-215	-224
Property costs	-506	-645
Office supplies	-543	-750
IT	-555	-533
Acquisitions and maintenance	-62	-59
Membership fees, etc.	164	121
Reimbursement from Gramex and others	903	1050
Administrative costs, total	-9,368	-9,305

Note 3

Depreciation	2012	2011
Fixture and fittings	-10	-25
IT, Hardware	-76	-86
IT, software	-34	0
Profit/loss on sales of tangible assets	-68	-183
Depreciation, total	-188	-294

Note 4

Financial income (net)	2012	2011
Portfolio	3,716	4,073
Bank and giro accounts	66	142
Debtors	125	185
Financials, total	3,907	4,400

Note 5

Distribution to rights holders	2012	2011
Contribution for Cultural Purposes	8,098	7,701
Collective Private Copying Payments	304	157
Individual distribution, revenue, domestic	74,327	69,828
Individual distribution, revenue, abroad	6,400	6,289
Distribution to rights holders, total	89,129	83,975
Calculation of contribution for Cultural Purposes		
Profit/loss for 2012	89,129	83,975
Income, abroad	-6,400	-6,289
Kultur Plus	-867	-455
Ring tones and DPD	-2,197	-385
Basis of calculation	79,665	76,846
10% of basis of calculation	7,967	7,685
Ring tones and DPD, provision	132	17
Contribution for Cultural Purposes for 2012	8,099	7,702



Note 6

Bonds and Investment Trust Certificates

The holding consists of unit trust bonds in distributing unit trust with portfolios consisting of bonds.

Note 7

Properties - 31 December 2012	2012	2011
Cost price as of 1 January	7,969	7,969
Increase during the year	0	0
Disposal during the year	0	0
Cost price 31 December	7,969	7,969
Revaluation as of 1 January	4,529	6,523
Revaluation during the year	0	-1,994
Revaluation as of 31 December	4,529	4,529
Depreciation 1 January	-22	-22
Disposals during the year	0	0
Depreciation during the year	0	0
Depreciation 31 December	-22	-22
Net booked value as of 31 December	12,476	12,476
Cash value of property as of 1 January	14,677	14,677

Note 8

Fixtures and Fittings	Fixtures	Hardware	Software	total 2012
Cost price as of 1 January	195	501	0	696
Increase during the year	9	68	135	212
Disposal during the year	-125	-79	0	-204
Cost price 31 December	79	490	135	704
Depreciation 1 January	-119	-244	0	-363
Disposals during the year	79	57	0	136
Depreciation during the year	-10	-76	-34	-120
Depreciation 31 December	-50	-263	-34	-347
Net booked values as of 31 December	29	227	101	357

Note 9

Contribution for Cultural Purposes	2012	2011
Allocated to cultural purposes, present year	8,098	7,701
Funds transferred from previous years	396	652
	8,494	8,353

Note 10

Collective funds	2012	2011
Collective Private Copying Payments, present year	304	157
Collective Private Copying Payments transferred from previous years	266	379
	570	536

Note 11

Other creditors	2012	2011
Koda Dramatik	119	282
Accrued costs	1,887	3,097
Accrued vacation allowance	810	907
Prepayments	314	930
	3,130	5,216

Note 12

Accrued distribution, domestic	2012	2011
Balance, beginning of year	77,019	73,966
Domestic revenue to be distributed individually	74,326	69,828
Distribution (payments made during the year)	-67,822	-66,775
	83,523	77,019

Note 13

Contingent liabilities, etc.
Estimated capitalised value of pension liabilities: TEUR 284
Liabilities pertaining to property rental: Indoor maintenance: TEUR 13
A lease has been signed for Landemærket 27, 2nd and 3rd floors. The lease is irrevocable for 12 months. Liability as of 31 December 2012: TEUR 170
Leasing obligation: Obligation as of 31 December 2012: TEUR 5



Auditor's report

To the Board of Directors of Koda

Auditor's report

We have examined Koda's annual report covering the accounting year 1 January – 31 December 2012, encompassing a profit and loss account, balance, notes, and the accounting policy/method employed. The annual report is prepared in accordance with Koda's laws and Danish legislation on accounting and reporting.

The management's responsibility for the annual report

Koda's management is responsible for ensuring that the annual report provides a true and fair representation in accordance with Koda's laws and Danish legislation on accounting and reporting. The management is also responsible for ensuring the execution of any internal control that the management regards as necessary in order to prepare an annual report that does not contain any significant inaccurate information, regardless of whether such misinformation arises out of intentional fraud or errors.

The auditor's responsibility

As auditors our responsibility is to provide an assessment of the annual accounts on the basis of our examinations. We have carried out our examination of the accounts in accordance with international standards on revisions and any addition requirements laid down in Danish audit legislation. We must comply with the ethical standards within the field and plan and execute our examination of the accounts in such a manner that we achieve a high degree of certainty that the annual report contains no significant inaccurate information.

Examining the annual report entails carrying out auditing procedures to find audit evidence for the amounts and information provided in the annual report. The exact procedures are chosen at the auditor's discretion and will rest on e.g. an assessment of the risk of significant inaccurate information in the annual reports, regardless of whether such inaccuracies are the result of fraud or error. When carrying out their risk assessment the auditor will consider internal control relevant to Koda's preparation of a true and fair annual report. The objective is to carry out auditing procedures that reflect and suit the circumstances, not to express any opinion on the efficiency of Koda's internal control. Furthermore, an examination



of the accounts also entails an assessment of whether the management's choice of accounting method is suitable, of whether any estimates made by the management are reasonable, and an assessment of the overall presentation of the annual report.

It is our belief that that the audit evidence obtained is adequate and provides sufficient basis for our conclusions.

The examination of the accounts has not prompted any auditor's qualifications.

Conclusion

It is our belief that the annual report provides a true and fair account of Koda's assets, liabilities, and financial position as of 31 December 2012 and of the result of Koda's activities for the accounting year 1 January – 31 December in accordance with Koda's laws and Danish legislation on accounting.

Copenhagen, 20 March 2013

PricewaterhouseCoopers

Kent Hedegaard
State-certified auditor

Anders Røjleskov
State-certified auditor

Accounting policy

The annual report was prepared in accordance with the following accounting policy, which remains unchanged from last year.

The amounts listed in the annual report for 2012 are listed as EUR 1,000.

Profit and loss

Income criterion

Koda's music fees are recognized in the profit and loss accounts in accordance with the invoicing principle when the music has been used before the status date and when Koda has, acting on behalf of its members, acquired the rights to the income.



Tax

Taxes of the year's profits are incorporated in Koda's annual report in accordance with a historically determined method of calculation.

Balance

Debtors

Debtors are included at their market value, which usually corresponds to the invoiced amount. The value is reduced by depreciation to counteract any expected losses in accordance with predetermined principles based on Koda's experience from previous years.

Property

All property values are set at the level of the most recent public property evaluation minus 15%. Major refurbishment and improvements are entered as acquisitions made during the year.

Revaluations are made under the entry "Provision for revaluation of property".

No depreciation on buildings has been made; it is assumed that regular maintenance will maintain the value of buildings at their current level. The cost of maintenance work is entered into the accounts in the year in which those costs are defrayed.

Operating equipment

Operating equipment is entered at cost price and reduced by depreciation. Depreciations are calculated in accordance with the balance-sheet depreciation method, meaning that depreciations are made at up to 25% of the balance sheet value.

Accounting policy

Securities

Securities are set at the market value on the balance sheet date.

Unrealized profits/losses on the balance sheet date and realized profits/losses associated with sales are listed under the entry "Net financial income".

