
ANNUAL REPORT 2006

CONTENT

- P 2 REPORT / NIELS BAK, MANAGING DIRECTOR; KODA IN 2006: WORDS AND FIGURES
- P 3 INTERNATIONALLY / THE MUSIC PLAYS HOME AND AWAY
- P 4 CULTURAL CONTRIBUTIONS / A CRUCIAL SUPPORT FOR DANISH MUSIC LIFE
- P 5 FROM OUR OWN WORLD
- P 6 PROFIT AND LOSS ACCOUNT 2006
- P 7-8 PROFIT AND LOSS STATEMENT

KODA /

REPORT

NIELS BAK / MANAGING DIRECTOR

KODA IN 2006: WORDS AND FIGURES

2006 has been an important year for Danish composers, songwriters and music publishers. Music is being used in more ways than ever before. And this is, of course, fabulous news for KODA's members. But, regrettably, this use is not always reflected in an increase in revenues.

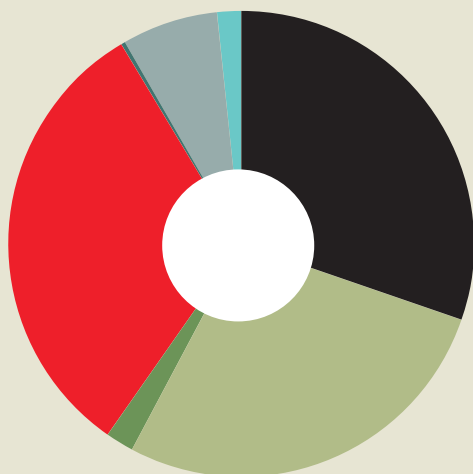
KODA's total revenues for 2006 including interest amounts to 63.4 million EUR against 63.7 million EUR in 2005. The remuneration for music usage in 2006 is similar to that of 2005, but an interest drop on investments causes a slight decrease in the total revenue.

A marked increase by 9 percent is seen on revenues from concerts, restaurants, shops etc. (called "General Performance Licensing" in the Profit and Loss Account). The increase reflects the general tendency in society to use music in more areas and contexts than ever before. Therefore, one of our focus areas is to ensure a good collaboration with our customers.

COMPETITIVE PERFORMANCE AND COLLABORATION

Our administration costs increased slightly, but still remain at a low 11.1 percent of total revenues. Keeping our administration costs low is a constant focus area, as it benefits our members and is a precondition for our continual representation of rights holders outside Denmark.

KODA's TOTAL REVENUES FOR PERFORMING RIGHTS 2005



Radio & TV	€ 19,351,931	30,5%
Satellite & Cable	€ 17,494,903	27,6%
Private Copy Remuneration	€ 1,134,120	1,8%
General Performance Licensing	€ 20,144,850	31,8%
Church Services	€ 182,940	0,3%
License Revenues Affiliated Societies	€ 4,149,812	6,5%
Interest	€ 987,527	1,6%

In 2006, the increase in administration costs is primarily due to expenses on technological development. We have launched new services on our member website, and we have collaborated with the affiliated Nordic societies in order to increase efficiency – particularly regarding NCB (Nordic Copyright Bureau).

LOOKING TOWARDS THE FUTURE

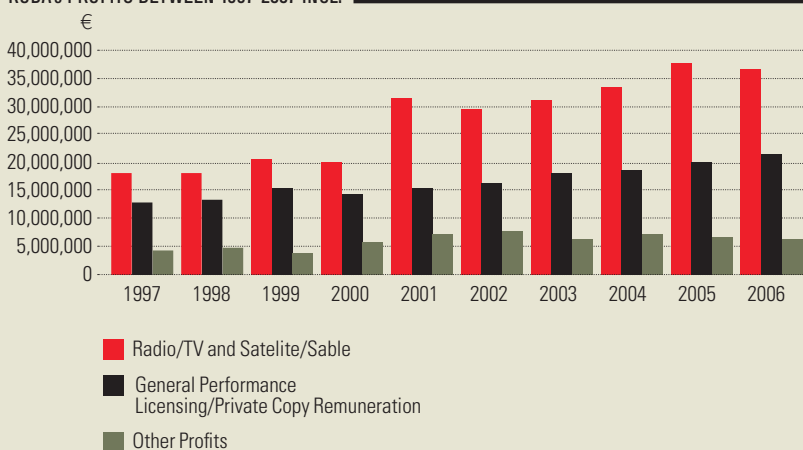
Within the next few years, we expect to realise considerable revenues. The biggest challenge for the music rights holders in the future is, without a doubt, the marked decrease in understanding and respecting copyright in the general population. Furthermore, the tightened EU demands regarding competition between the affiliated rights societies mean a risk of price dumping on music and poses difficulties for smaller rights societies like ourselves. The new rules may mean that revenues concentrate on the big societies whereas more difficult tariff areas are left to smaller rights societies with increasing administration costs as a result.

Music will, of course, continue to be used everywhere in society and even more so with the continual development of new media. Our task is to develop new methods to collect remuneration for the music regardless of the platform on which it is played. Furthermore, we will develop collaboration with our customers in order to increase our market coverage.

Online music sale will end up being very differentiated. We believe that collaboration with the recording industry and others will enable us to make considerable revenues for our rights holders regarding online music usage. Creating such collaboration is a top priority for us.

Niels Bak
Managing Director

KODA's PROFITS BETWEEN 1997-2007 INCL.



INTERNATIONALLY THE MUSIC PLAYS HOME AND AWAY

We ensure an income for the composers, songwriters and music publishers when their music is played - in Denmark and in other countries.

We collaborate with 70 affiliated rights societies in 125 countries in order to ensure composers the best possible earnings on their music, regardless of where in the world their music is played.

In 2006, KODA received 4.1 million EUR from abroad to Danish composers, songwriters and music publishers. But we distribute much larger sums out of the country for artists who have had their music played in Denmark. 56 percent of the remuneration distributed by KODA in 2006 went to international rights holders - amounting to 28 million EUR.

PAYMENTS TO AND FROM AFFILIATED SOCIETIES

IN EURO/€	RECEIVED 2006 FROM	2005-2006 +/- %	DISTRIBUTED 2006 TO	2005-2006 +/- %
NORDIC COUNTRIES				
STEF, Iceland	-		20,812	-39%
STIM, Sweden	960,312,02	45%	11,207,919	23%
TEOSTO, Finland	286,372,63	-8%	98,202	5%
TONO, Norway	411,521,35	-7%	645,228	2%
Total Nordic Countries	1,658,206	17%	11,972,160	22%
USA				
ASCAP	144,731	15%	3,695,286	1%
BMI	51,714	-37%	3,530,329	4%
SESAC	0		177,328	-26%
Total USA	196,446	-6%	7,225,615	2%
EU COUNTRIES (-SWEDEN AND FINLAND)				
AEPI, Greece	30,380	86%	5,323	42%
AKM, Austria	60,260	6%	63,842	-29%
BUMA, Holland	145,155	12%	104,419	-25%
GEMA, Germany	536,670	20%	1,412,591	5%
PRS, United Kingdom	363,344	24%	4,719,936	9%
SABAM, Belgium	55,813	-26%	47,004	-21%
SACEM, France	376,299	80%	1,097,596	-32%
SPA, Portugal	11,689	21%	5,313	-18%
SGAE, Spain	8,088	966%	119,504	12%
SIAE, Italy	176,165	-3%	200,628	-24%
ZAIKS, Poland	63,822	22%	17,261	2%
LATGA-A, Lithuania	5,677	55%	587	-12%
AKKA/LAA, Latvia	8,792	4071%	5,086	448%
EAU, Estonia	0	-100%	3,493	10%
OSA, Czech Republic	7,080	48%	18,989	67%
SOZA, Slovakia	1,650	-58%	1,859	39%
ARTISJUS, Hungary	0	-100%	5,439	-16%
SAZAS, Slovenia	4,115	100%	1,597	-34%
IMRO, Ireland	30,311	188%	108,982	32%
Total EU Countries	1,885,328	23%	7,939,449	-2%
Others	409,838	11%	1,119,217	-9%
TOTAL	4,149,817	18%	28,256,441	8%



CULTURAL CONTRIBUTIONS

- A CRUCIAL SUPPORT FOR DANISH MUSIC LIFE

A large part of the financial support for new Danish music comes from KODA. In 2006, a total of 5.1 million EUR.

The three composer's societies and the society for music publishers, which are represented in KODA's board and have many members among Danish composers and songwriters, primarily run their organisations due to the economic support from KODA's Cultural Contributions.

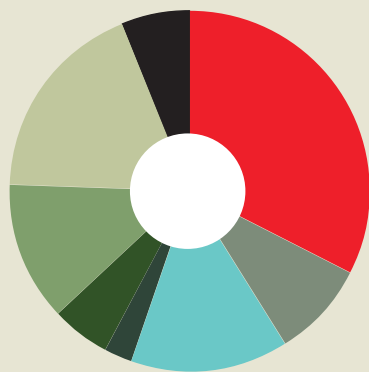
10 PERCENT OF THE REVENUES SUPPORT THE DEVELOPMENT OF DANISH MUSIC

Our members have decided that 10 percent of KODA's revenues must be earmarked for the development of Danish music. These so-called "Cultural Contributions", amounted to 5.1 million EUR in 2006.

The main part of the funding is distributed to the three composer's societies in Denmark and the society for music publishers. KODA's share is spent on developing the Danish musical environment and collaborating on development projects with the music industry.

CULTURAL CONTRIBUTIONS 2006

TOTAL € 5.176,516



Work, Study and Travel Scholarships	€	1.493,508	28,9%
Scholarship Housing	€	398,431	7,7%
Concert Activities	€	659,304	12,7%
Honorary Scholarships, Prizes and Awards	€	112,622	2,2%
Courses and Education	€	250,324	4,8%
PR Activities and Related Activities	€	567,609	11,0%
Organisation Work and Other Admin. Costs	€	840,086	16,2%
Other Purposes	€	278,506	5,4%



FROM OUR OWN WORLD

With 31,071 members, more than 60,000 customers plus all the international composers and songwriters whose music is played in Denmark, there is plenty of work to be done.

But KODA is also a knowledge centre, providing counselling for the media and politicians and participating in the processes concerning laws on copyright and music – in Denmark and abroad.

Today, KODA has approx 100 employees. The number of staff has been fairly stable during the past many years, but more and more employees are working with legal advice, customer service, IT development and communication. And fewer people are working with data handling.

WHO DOES WHAT IN KODA?

46 people are in close contact with our Danish members and foreign rights holders. They ensure that the musical works are registered correctly and that the authors get paid the correct amounts. They also provide counselling for our members and help radio and TV stations to report their music use correctly and in the easiest manner possible.

25 people handle our customers, the people who use music in public places. In this department, we ensure that businesses, shops, restaurants etc. get a KODA contract so they can use music legally. We also provide advice on how they can use the music in the best possible manner in their shop.

Five people work in KODA's media department which negotiates and draws up the large contracts with radio and TV, but which also provides service for the rapidly growing market for online shops. The lawyers in the department also provide advice for members and customers on how to use music on the Internet legally and efficiently.

Four people work with communication. Their focus is media contact and press relations, but they also ensure communication with members, customers, politicians and partners.

17 people work with administration (bookkeeping, IT development and general maintenance).

Niels Bak is KODA's Managing Director.

MONEY FOR ADMINISTRATION IS TAKEN FROM THE RIGHTS HOLDERS

KODA is a non-profit member organisation. The members receive all the money we collect in remuneration minus operating costs. Therefore, it is crucial that KODA maintains a low administration cost.

For many years, KODA has been one of the leading rights societies in maintaining low administration costs. In 2006, our administration costs were 11 percent which is the same level as in earlier years.

KODA's ADMINISTRATION COSTS (PERCENTAGE) 1997-2006



ABOUT THE PROFIT AND LOSS ACCOUNT 2006

KODA's total revenues in 2006 amounted to 63.3 million Euro. Minus the revenues from abroad (4.1 million Euro). That is a total of 59.3 million Euro which equals 10.89 Euro per capita.

The result is satisfactory considering the fact that it has been a difficult year concerning revenues. This is partly due to unfinished negotiations in the field of TV, and partly the decrease in revenues due to Sky Radio closing down. In addition, comes a decrease in interest revenue. There is, however, cause for optimism in the years to come. 2006 saw a positive development in background music and concerts, we have negotiated new contracts with restaurants and we have improved our market coverage. All in all, an increase in revenues of 9 per cent for 2006.

NEW CONTRACT WITH DANISH BROADCASTING CORPORATION (DR)

In 2006, we entered a long term contract with DR terminating in 2009. It encompasses an increase in DR's payments of approx 40 percent plus indexation. The increase is due to the future creation of at least one new TV channel and an increased online activity. DR's payments will be approx 13.2 million Euro in 2009 and in addition to this, a new on demand service of the entire archive at DR is on its way.

OTHER TV CHANNELS

The Danish market for commercial TV has a very large actor, TV 2 Denmark, with six channels. The two other big channels are SBS Broadcasting and Modern Times Group which both operate a large number of TV channels up-linked in England and therefore, according to EU law, claim they should be licensed by PRS.

According to the principle of Tariff of Country of Destination, PRS has not been successful in licensing the approx 10 different TV channels, which are broadcast from England and solely targeted towards Denmark. KODA has offered information for PRS about the Danish TV market and our contracts in this field.

RETHINKING RADIO CONTRACTS

Business for the commercial radio stations is generally hard in Denmark, because the market for radio advertisements is very small. Therefore we have made new agreements with the majority of the commercial radio stations in 2006. A percentage of the revenue will in many cases not reflect the true value of the music, and therefore we have to fight hard for minimum tariffs.

LARGE NUMBER OF BROADBAND USERS

The Danish market for online music is well developed because of the large number of broadband users among our citizens. We have invested many resources in this field and our tariff is satisfactory: 12 percent (minimum 0.1 Euro for download). The 12 percent tariff (with minimum payments) is also employed in other online fields. We employ our remuneration per transaction as opposed to a tariff set according to turnover in all areas where the turnover does not represent the full economic interest in a service.

AGREEMENT ON DIGITAL FILE LOANS

In the Danish libraries you can download music files as a loan for a period of up to seven days. For this, the libraries pay 5.5 Euro Cent per loan. In many other countries, the rights societies and the music publishers have accepted a payment via the record companies or through lump sum agreements.

PROFIT AND LOSS STATEMENT FOR THE YEAR 2006

BALANCE AS OF: 31 DECEMBER, 2006

				Assets			
Note		2006 €	2005 €	Note	2006 €	2005 €	
1	Music Remuneration, Denmark	56,579,219	56,365,748		Liquid Funds	12,254,681	19,624,410
	Music Remuneration, Copying	1,134,128	1,212,987		Debtors	412,258	250,580
	Music Remuneration, Faeroe Islands	292,655	277,595	4	Bonds	0	8,315,451
	Music Remuneration, Greenland	302,680	263,111	4	Unit Trust Bonds	45,002,262	28,849,207
3	Music Remuneration, from Abroad	<u>4,149,817</u>	<u>3,524,695</u>	5	Property	7,287,332	7,287,332
		62,458,499	61,644,136	6	Fixtures and Fittings	354,690	228,811
					Accrued Interest	14,155	343,564
2	Administration Costs	<u>7,059,913</u>	<u>6,745,173</u>		Accruals	<u>55,112</u>	<u>104,431</u>
	Result before Interest etc.	55,398,586	54,898,963		Total Assets	65,380,491	65,003,786
	Net Interest Income	<u>987,587</u>	<u>2,118,758</u>				
	Result before Tax	56,386,174	57,017,721				
	Corporation Tax	_____	_____				
	Year Result	<u>56,386,174</u>	<u>57,017,721</u>				
3	Settled thus:						
	Remuneration Affiliated Societies	4,149,187	3,524,695				
	Contributions to National Cultural Purposes	5,108,679	5,140,938				
	Collective Private Copy Remuneration	377,948	396,579				
	Remainder for Distribution	<u>46,749,730</u>	<u>47,955,509</u>				
		56,386,174	57,017,721				

LIABILITIES

	Contributions for National Cultural Purposes	5,330,191	5,423,899
	Collective Private Copy Remuneration	921,745	842,105
	Other Collective Purposes	197,248	186,408
	Remuneration Affiliated Societies	1,118,248	818,144
	Un-distributed Amounts	8,318,480	7,052,725
	Accruals	942,467	888,620
	Other Creditors	1,076,038	987,829
7	For Distribution	<u>47,476,073</u>	<u>48,804,054</u>
	Total Liabilities	65,380,491	65,003,786
8	Contingencies etc.		

Copenhagen, 26 February 2007

Management
Niels Bak

KODA'S EXECUTIVE COMMITTEE:

Klaus Ib Jørgensen	(DKF, KODA's Chairman)
Franka Abrahamsen	(DJBFA)
Hans Dal	(DPA)
Ivan Pedersen	(DPA)
John Frandsen	(DKF)
John Rasmussen	(DMFF)
Piet Breinholm Bendtsen	(DJBFA)
Tine Birger Christensen	(DMFF)

ACCOUNT NOTES

	2006 €	2005 €		2006 €	2005 €
1 MUSIC REMUNERATION, DENMARK			4 BONDS AND INVESTMENT TRUST CERTIFICATES		
Radio and TV	35,908,280	37,228,777	Cost Price 1 January	37,199,624	35,900,390
Internet	484,174	496,655	Annual Inflow	17,545,474	1,299,234
Cinema and Film Showings	1,019,317	935,150	Annual Outflow	-8,527,998	0
Background Music in Restaurants, Hotels and Ships	6,001,264	5,539,407	Cost Price 31 December	46,217,100	37,199,624
Trading and Sales Premises	4,626,389	4,154,185	Appreciation and Depreciation 1 January	-34,967	309,191
Music in Work Spaces	450,362	458,589	Years Appreciation and Depreciation	-1,392,418	-344,158
Music in Airplanes	122,712	199,067	Appreciation and Depreciation at Start	212,547	0
Music in Coaches	92,347	96,873	Appreciation and Depreciation 31 December	-1,214,838	-34,967
Miscellaneous	299,432	291,896	Accounting Value as of 31 December	45,002,262	37,164,657
Background Music	5,591,242	5,200,610	Unit trust certificates are a distributed unit trust where the underlying portfolio consists entirely of bonds.		
Concerts	4,200,946	3,660,447	5 PROPERTY		
Indoor Entertainment <200 persons	308,457	295,188	Cost Price 1 January	7,309,142	9,602,597
Indoor Entertainment >200 persons	728,833	749,768	Year Start	0	-2,293,455
Outdoor Entertainment	159,193	137,597	Cost Price 31 December	7,309,142	7,309,142
Association Agreements	112,571	88,641	Depreciation 1 January	-21,810	-21,810
One-off Events	5,510,000	4,931,642	Depreciation for the Year	0	0
Exhibitions/Conferences	30,230	26,075	Depreciation 31 December	-21,810	-21,810
Sports Events	726,497	652,234	Accounting Value as of 31 December	7,287,332	7,287,332
Amusement Parks	386,124	411,431	Cash Value of Property as of 1 January	16,228,541	10,059,013
Circus	40,328	37,792	6 FIXTURES AND FITTINGS		
Theatre Music	305,385	331,231	Cost Price 1 January	1,281,902	2,288,370
Schools and High Schools	393,422	395,580	Additions in the Year	199,474	87,099
Other Entertainment	1,881,986	1,854,343	Losses in the Year	-99,856	-1,093,567
Church Services	182,956	179,165	Cost Price 31 December	1,381,521	1,281,902
Music Remuneration, Denmark	56,579,219	56,365,748	Depreciation 1 January	-1,053,092	-2,021,580
2 ADMINISTRATION COSTS			Disposals	81,223	1,017,777
Staff Expenses	5,490,907	5,396,061	Depreciation of the Year	-54,962	-49,288
Fees:			Depreciation 31 December	-1,026,831	-1,053,092
Board	171,035	166,885	Accounting Value as of 31 December	354,690	228,811
Music Evaluation Committee	904	2,776	7 FOR DISTRIBUTION		
Legal Assistance	92,979	207,175	For distribution according to the profit and loss account	46,749,730	47,955,509
Auditors Fees	33,743	35,512	Unplaceable Remuneration 1 January	394,395	465,089
Consultancy Fees	134,917	55,537	Free Portion	331,948	383,456
Control and PR Costs	225,014	135,921	For Distribution	47,476,073	48,804,054
Travel and Representation etc.	203,214	185,752	8 CONTINGENT LIABILITIES ETC.		
Cost of Premises	323,719	126,002	Estimated capitalised value of pension liabilities constitutes EUR 263,546.		
Office Expenses:			Leasing contracts have been concluded for IT equipment. The commitment constitutes EUR 26,153 spread out over the following two years.		
Stationery and Printed Matters	215,380	225,760	Holiday payment commitments for salaried employees constitutes EUR 568,938.		
Telephone and Telegrams	48,062	44,500	Commitments in relation to leased property: Interior maintenance for rented property constitutes EUR 10,193.		
Transportation	4,660	10,747	A property has been leased which is non-terminable until 1 May, 2008. Commitments for rent constitute EUR 52,441.		
Bank Costs	11,843	4,623			
Postage	268,038	225,245			
Insurances	28,512	25,895			
Subscriptions (CISAC etc.)	103,062	93,807			
External Registers	39,790	46,101			
IT, Operation Costs for Entries	36,633	36,992			
IT, Operation Costs	301,174	274,959			
IT, System Development and Installation etc.	57,227	56,983			
Inventory, Maintenance and New Purchases	21,895	44,433			
Miscellaneous	4,098	2,180			
Depreciation	66,888	125,078			
Cost Reductions	-823,782	-783,552			
Administration Costs	7,059,913	6,745,173			
3 LICENSE REVENUES AFFILIATED SOCIETIES					
Music Revenues from Cable Distribution of Danish Radio and TV programmes Abroad	409,366	33,214			
Other Revenues Affiliated Societies	3,740,451	3,491,481			
License Revenues Affiliated Societies	4,149,817	3,524,695			