



koda[®]

Annual Report 2018



Niels Mosumgaard,
Chairman

The Chairman's Report

When we think of 2018, we think of it as a year in which many things we've been working on for a long time began to fall into place. In some sense, it was a year of calm, fruition and completion.

First of all, we are very pleased and proud to note that we were able to maintain a turnover of DKK 1 billion for the second consecutive year. This is basically what our work is all about, and we do what we can to take the strengths and advantages of collective management forward into the digital world. That transition involves many challenges, and in these efforts it is absolutely crucial to remain aware of what the members and customers expect from us – and of what the business itself needs. We cannot solve all tasks ourselves; cooperation is key.

Cooperation has also been crucial on another issue that has weighed heavily on our minds: the nerve-racking work on the new EU Copyright Directive. In the autumn of 2018, we happily saw things beginning to shape up favourably for us. With Anders Lassen's chairmanship of GESAC, the European

Grouping of Societies of Authors and Composers, we were at the very centre of the work being done on this reform at a European level.

Similarly, our collaboration with the Polaris societies in Norway and Finland led to a good solution, enabling us to license of Danish and Scandinavian music throughout the world through a common hub in 2019.

If we turn to some of the other topics that have held the board's attention – in addition to the business itself, visions of technological developments and the overall strategy – it is gratifying to note that the

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vision of increasing the speed of Koda's distribution rates has found a new form in what we call 'Instant Distribution' – an initiative launched in February 2019.

Introducing Instant Distribution has been a fondly held wish for the board for a few years now, because the time elapsing between the performance of music and the distribution of royalties felt unreasonably long. It is very pleasing to see that the focused and visionary efforts made by Koda's employees has led to a solution that is already causing quite a stir in the wider world. The process of getting from the initial ideas to a final solution has been commendably quick, and the board is very happy with this show of speed. Thank you! Establishing a real sense of connection to the earnings yielded by our work is crucial for our members' confidence in Koda – and for our overall credibility and visibility.

Koda's board of directors has also been eager to see Koda's business strategy translated into an actual cultural strategy for Koda's cultural contributions. Here, we aim for same kind of clarity, transparency and credibility that we see in the efforts to ensure high distribution efficiency. We call this 'Koda Kultur' (Koda Culture). The board would like Koda's members and the outside world to fully see and realise that Koda is a cultural business: an enterprise that works very hard with collective rights management on the one hand, but also one that is aware of its responsibility as part of the cultural scene. This means that, beginning in 2019, Koda Kultur will be increasingly visible as the sender of cultural contributions. Koda has set up grant schemes focusing on members with great potential for growth as well as on music releases, including aspects such as recording, mastering and mixing. Koda will also have two strategic reserves that hand out cultural contributions – one that welcomes applications by the music scene in general, awarding funds on the basis of Koda's overall strategy, and the other earmarked for strategic initiatives that span several years.

This change will obviously affect the four associations that have hitherto acted as senders of these cultural contributions, but at the same time it sets them free to carry out independent efforts that match their specific professional profiles and concern areas where Koda cannot and should not be involved. In addition to this, the associations can still benefit from area-specific reserves that take into account the different forms

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of production and business models pertaining to different genres and approaches.

The Koda Kultur initiative will be crucial to the credibility and visibility of our collective management society, which invests its own funds in supporting new Danish music, in raising the visibility of individual artists, and in being a crucial part of the Danish music scene overall.

If we are to sum up 2018, it was a working year that yielded very fine results.

On a personal note, I will step down as chairman of Koda's board of directors after serving six years in the chair. Those years have been a fantastic journey, taking the entire board into every nook and cranny of the business, of our articles of association, and our cooperation with organisations in Denmark and abroad. We have undergone internal changes that may have felt rough at times, but we have also seen terrific collaboration with the management, employees and many productive exchanges with Koda members of every kind. Fronting such a well-respected, acclaimed enterprise has been a true privilege. I should like to take this opportunity to thank the managing director and board of Koda for facing these challenges with me, jointly finding new roads and establishing a new framework for a modern-day collective rights management society.

- Niels Mosumgaard



Anders Lassen,
Managing Director

The Managing Director's Report

Once again, Koda made it across the magic one billion kroner mark. A happy result, and one which means that we can distribute DKK 906 million to our rightsholders. However, the splendid result is once again underpinned by a somewhat bittersweet reason: part of the turnover is generated by an accumulation of money in the system, money that we have been unable to distribute due to a lack of agreements with other rightsholder groups.

In just a few years, we have progressed from making distributions twice a year to the point where we carry out monthly distributions within a range of areas. This places us among the leading collective rights management societies in the world as far as distribution speeds are concerned.

Of course, it is not satisfying to see several years go by from the time the agreements are made until the money is finally distributed to our members. In response, we have joined up with Copydan to find faster ways of getting the money out to our members.

In fact, getting money out to our members faster has been a big theme in 2018: in just a few years, we have progressed from making distributions twice a year to the point where we carry out monthly distributions within a range of areas. This places us among the leading collective rights management societies in the world as far as distribution speeds are concerned. We are convinced that in the years ahead, one of the key demands from members of societies like Koda concerns our ability to make distributions quickly and accurately. After all, the whole point is to get the money out to our members – not leave it languishing in a Koda account.

Faster distribution is one thing, but our members will also expect other things of us in the future, particularly a much greater degree of transparency: where are

the revenues generated? From which areas, which countries and which works? We know that knowing about these things is important for many of our major rightsholders for whom their music is the main source of income. Last year, we responded to this need by launching a long-term effort to renew and improve our IT platform. The current platform is built on older technology and for that reason alone we must take steps to future-proof it. But we also take this opportunity to improve all aspects of our systems: right from the registration of works to reporting from customers and members onwards to distributions and member interfaces. A mammoth task, and one where we will once again seek to cooperate with other societies in the Nordic countries in order to keep costs down.

Speaking of keeping costs down, the new structure of NCB is another measure that promotes savings. In 2017, the Nordic societies decided that NCB should no longer operate as an independent enterprise, but be integrated into Koda, essentially letting Koda operate NCB on behalf of the other Nordic societies. We have now completed a full calendar year operating in this manner, and it has proved to bring significant savings for everyone – all while maintaining decent levels of service. It is not going too far to say that this change was crucial for enabling NCB to survive in a world where CD sales continue to drop.

When old areas fall into decline, it is good to have new areas ready to take over. The year 2018 saw continued growth within the digital area, with an increase of 18 per cent in the revenues generated by Video-On-Demand. But there is also potential for development in other areas of the digital market. Many of the online services we enter into agreements with are international, and in order to serve them in the best possible way, we – together with TONO (N) and Teosto (FI) – have initiated a common hub for licensing our rights internationally. The company is still in its start-up phase, with the first agreements due to be concluded in 2019. The hub will receive money and reporting from a wide range of countries directly, eliminating the need to go through our affiliates. Hopefully this will mean greater transparency, faster distributions and lower costs within the digital area.

Finally, there will be nothing to license at all if we do not have modern, up-to-date legislation that reflects the technical realities of today. In this regard, we have worked for years to convince Danish politicians

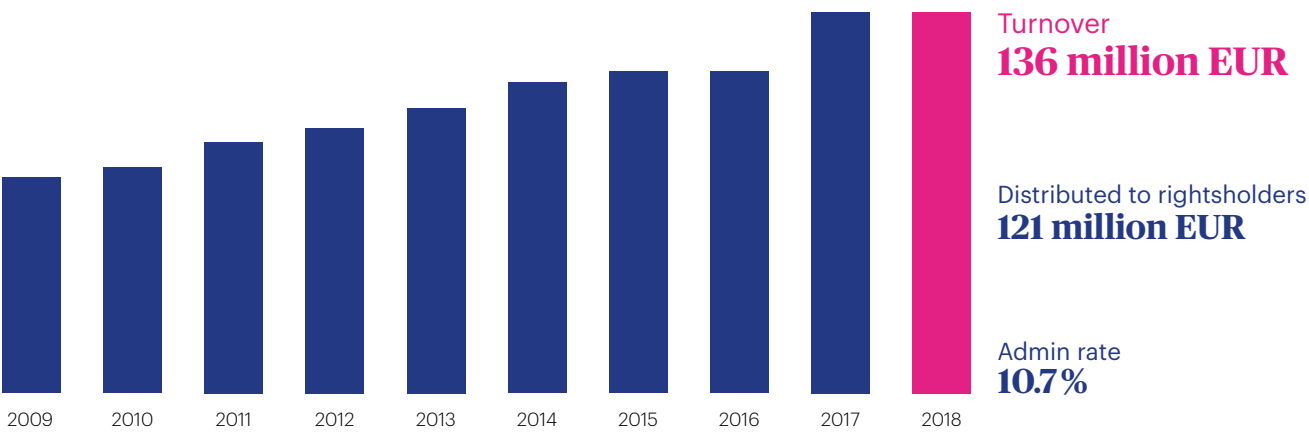
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and the EU that the current legislation is riddled with holes as far as digital/online content is concerned. I am, of course, thinking of the big 'user-generated' services like Facebook, YouTube and others who have made huge profits from using other people's content without paying a fair price for it. In this regard, 2018 was the pivotal year of our endeavours, and we spent a lot of effort and resources on this important area. In this regard, our cooperation with other collective rights management societies in our European umbrella organisation GESAC has been crucial. Fortunately, it seems that the extensive campaign of misinformation directed against the directive has been successfully counteracted. We owe a particular debt of gratitude to the forward-thinking Danish politicians who have been such solid supporters – here in Denmark and in the EU – in the work to modernise our legislation so that it does not only benefit the large American tech companies. Thank you! We, and all our members, are very grateful for your work.

- Anders Lassen

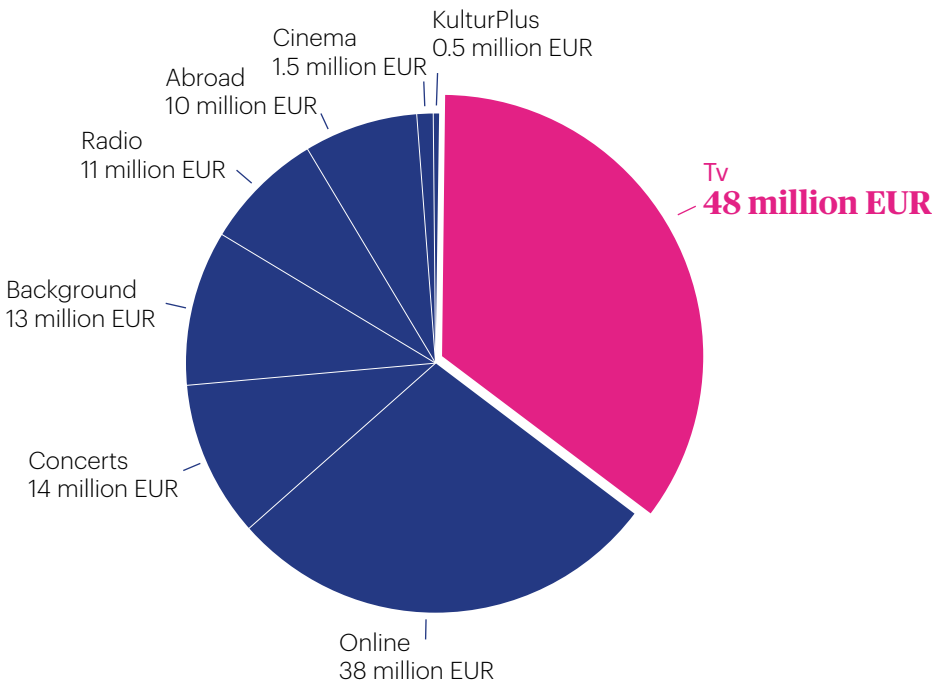
Revenues

Koda’s turnover exceeds 120 million EUR

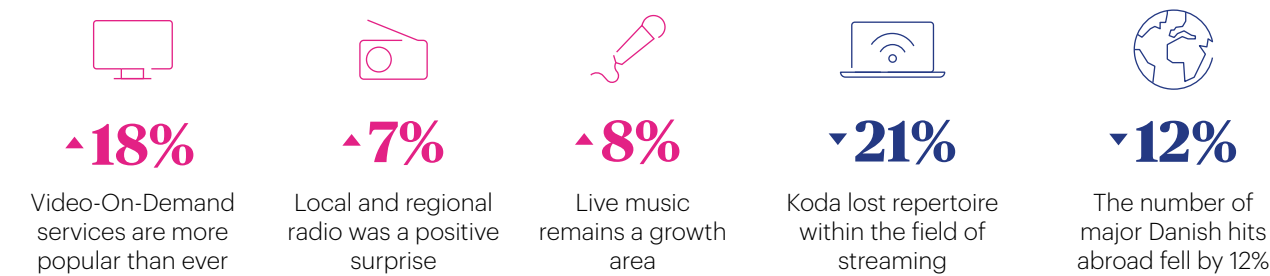


Turnover - by area

TV is Koda’s greatest single source of revenue, accounting for 35 per cent of the total turnover. Compared to this, background music (restaurants and shops) contributes rather less, accounting for 10 per cent of the total turnover.



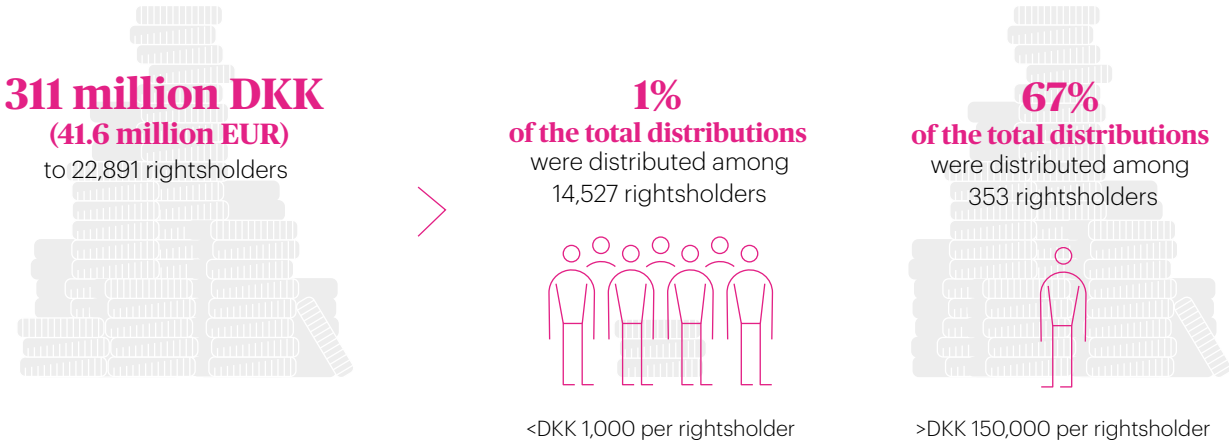
Some main trends from Koda’s revenues 2018



Distributions

Few rightsholders account for most of Koda’s revenues

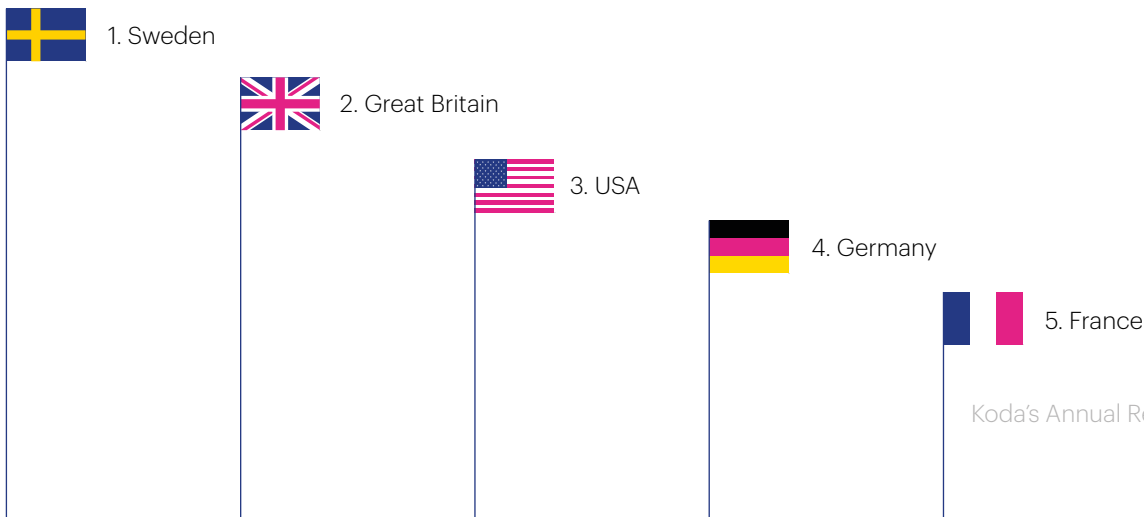
Never before have so many different Koda members’ music attracted the ears of listeners, but nevertheless we still see that the main part of the total revenues is generated by a relatively small group of extensively played rightsholders. In 2018, a total of DKK 311 million were distributed to Koda members. Of these, a relatively small fraction of 353 members received 67 per cent of the total amount distributed.



Increments, DKK	Authors	Publishers	Total	DKK, total
1 - 1,000	14,364	163	14,527	2,928,273
1,001 - 5,000	4,354	71	4,425	10,318,854
5,001 - 10,000	1,299	33	1,332	9,324,460
10,001 - 30,000	1,314	44	1,358	23,276,921
30,001 - 50,000	379	13	392	14,930,376
50,001 - 75,000	224	14	238	14,582,661
75,001 - 150,000	254	12	266	27,634,734
150,001 -	297	56	353	207,787,181
	22,485	406	22,891	310,783,459

63.4 million EUR distributed to rightsholders abroad

Rightsholders in more 90 countries received a total of 63.4 million EUR distributed as payment for music played in Denmark.



Members and works

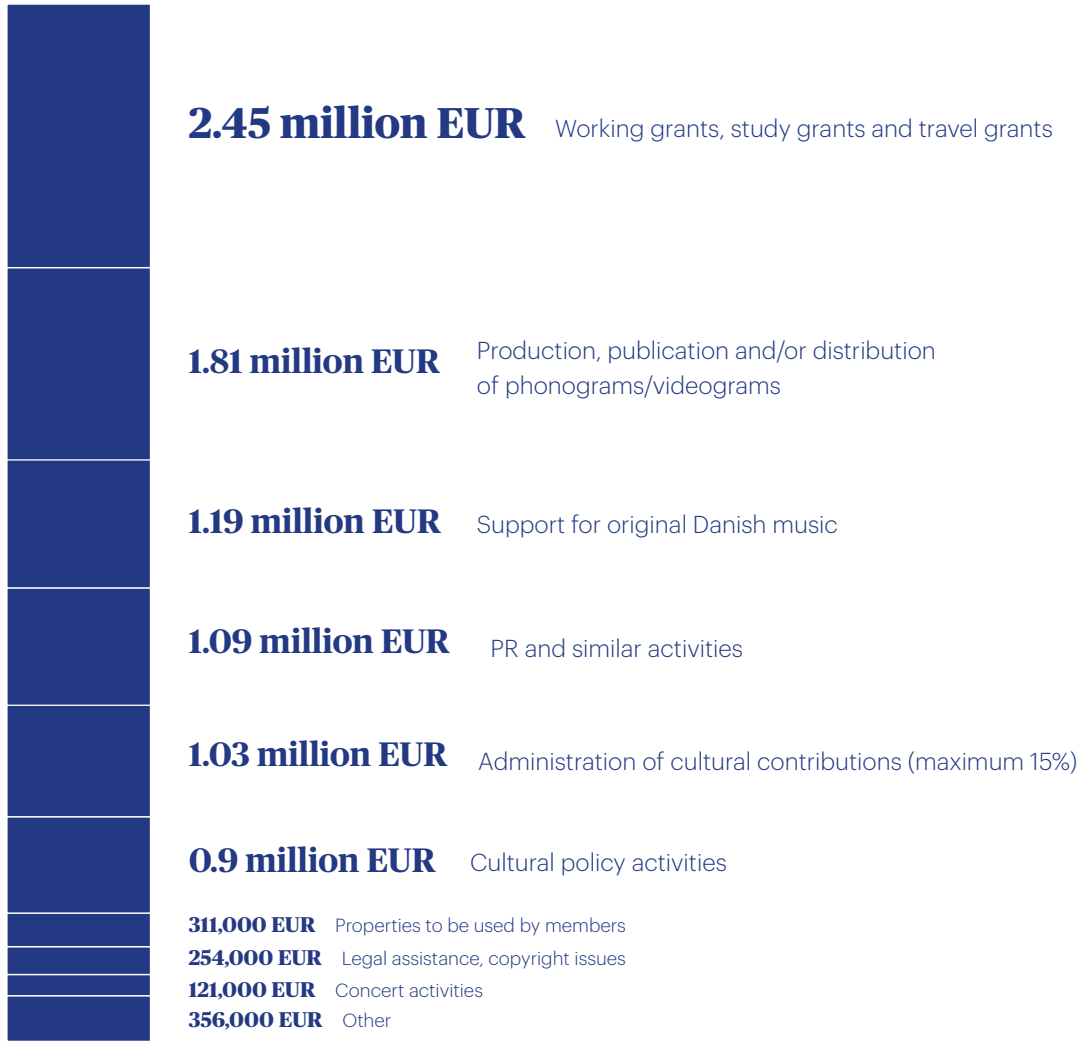
More members and more music



Cultural contributions

Koda’s cultural contributions: donating DKK 71 million to the music scene in 2018

Each year, up to ten percent of Koda’s net income is allocated to cultural contributions, thereby helping to ensure favourable conditions for a vibrant music scene and to improve the structural conditions underpinning Koda’s business. The allocation of cultural contributions focuses on stimulating and supporting the creation of new music. Through support for composers and songwriters in the form of working grants, production support, songwriter camps, educational programmes, networking initiatives and international cooperation, Koda reinvests a share of its total revenues in the further development of the music scene.

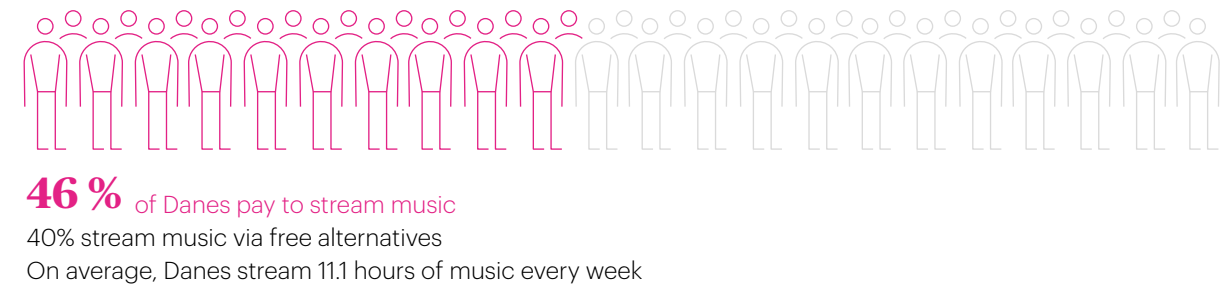


Survey

Music consumption in Denmark in 2018

In 2018 we had YouGov ask the Danes about their music consumption

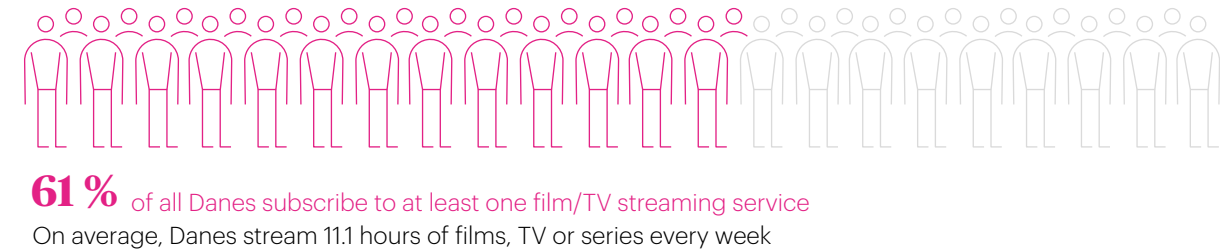
Streaming - Music



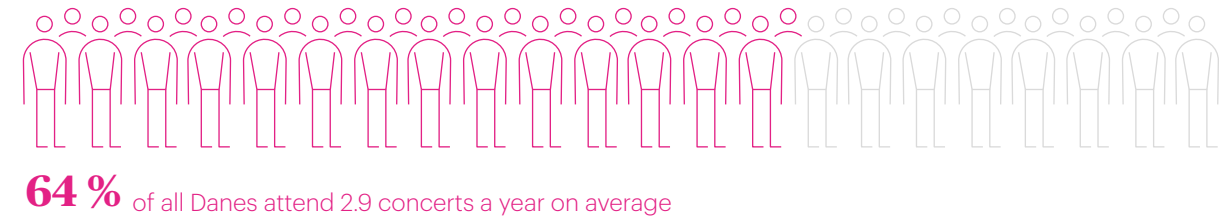
Music purchases



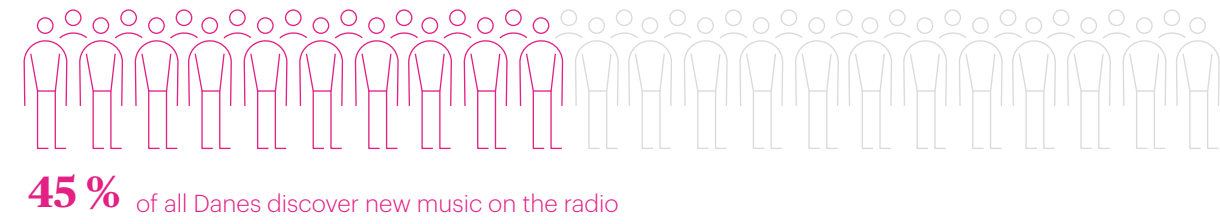
Streaming – Films and TV



Concerts



Radio



The charts

The ten highest-earning Danish hits in Denmark in 2018

This year’s Top Ten highest-earning tracks by Koda members include seasoned artists such as Rasmus Seebach and Nik & Jay, but the top slot goes to newcomer Hugo Helmig and his smash hit ‘Please Don’t Lie’.

The Koda Top Ten 2018 – Denmark

The Top Ten lists the tracks that have generated the greatest revenues in Denmark in 2018. All tracks must have at least one Koda member among its creators.

1. Please Don’t Lie	Composer/Writer	Hugo Helmig Toft Simonsen/Emil Sebastian Albæk-Falk
	Artist	Hugo Helmig
2. 2017	Composer/Writer	Lars Ankerstjerne Christensen/Nicolai Seebach/Rasmus Seebach/
	Artist	Andreas Martin Sommer Rasmus Seebach
3. Limbo	Composer/Writer	Alexander Leonard Lørup Malone/Emil Groll/
	Artist	Joachim Dencker Christiansen/Oliver Kincaid Scarlet Pleasure
4. Solo Dance	Composer/Writer	Peter Bjørnskov/Mads Dhyrberg Hjerl-Hansen/Martin Jensen/
	Artist	Lene Dissing Martin Jensen
5. Unusual	Composer/Writer	Lindy Robbins/Mads Langer/Joonas Angeria
	Artist	Mads Langer
6. Rica	Composer/Writer	Henrik Bryld Wolsing/Kian Rosenberg Larsson/
	Artist	Siavash Memaran-Torbati/Oliver Kesi Chambuso Gilli (feat. KESI, Sivas)
7. Hele Vejen	Composer/Writer	Jannik Brandt Thomsen/Niclas Genckel Petersen/
	Artist	Thomas Andersson/Andreas Martin Sommer Nik & Jay
8. Good Together	Composer/Writer	Alexander Leonard Lørup Malone/Emil Groll/
	Artist	Joachim Dencker Christiansen/Nick Labajewska Madsen Scarlet Pleasure
9. Flawless	Composer/Writer	Mads Langer Clausen/Henry Peter Howard Flint/
	Artist	George Howard Michael Flint Mads Langer
10. Off to See The World	Composer/Writer	Morten Pilegaard Jespersen/David James Labrel/Christopher Steven Brown/
	Artist	Morten Ristorp Jensen/Stefan Forrest/Lukas Forchhammer Lukas Graham

The five highest-earning Danish hits abroad in 2018

This year’s Top Five listing the Koda member tracks that have generated the greatest revenues abroad in 2018 is headed by recent songs by Martin Jensen and Lukas Graham, but in fifth place we find Laid Back’s ‘Sunshine Reggae’, originally released back in 1983. Third place is held by Aqua’s ‘Barbie Girl’ from 1997.

The Koda Top Five 2018 – Abroad

The Top Five lists the tracks that have generated the greatest revenues abroad in 2018. All tracks must have at least one Koda member among its creators.

1. Solo Dance	Composer/Writer	Peter Bjørnskov/Mads Dhyrberg Hjerl-Hansen/Martin Jensen/
	Artist	Lene Dissing Martin Jensen
2. 7 Years	Composer/Writer	Morten Pilegaard Jespersen/David James Labrel/Christopher Steven
	Artist	Brown/Lukas Forchhammer/Morten Ristorp Jensen/Stefan Forrest Lukas Graham
3. Barbie Girl	Composer/Writer	Johnny Mosegaard Pedersen/Rene Dif/Claus Norreen/
	Artist	Søren Rasted/Lene Crawford Nystrøm/ Karsten Dahlgaard Aqua
4. Lean On	Composer/Writer	Thomas Wesley Pentz/Karen Marie A Ørsted/Phillip Meckseper/
	Artist	William Sami Etienne Grigahcine/Steve Guess Major Lazer (Feat. Mø, DJ Snake)
5. Sunshine Reggae	Composer/Writer	John Guldberg/Tim Peter Stahl
	Artist	Laid Back

The five highest-earning foreign hits in Denmark in 2018

The Top Five of the highest-earning Koda-managed foreign tracks in Denmark in 2018 featured four songs with English lyrics and one with Spanish lyrics: ‘Despacito’ by Luis Fonsi.

The Koda Top Five 2018 – Foreign hits in Denmark

The Top Five lists the musical works created by non-Koda members that generated the greatest revenues in Denmark in 2018.

1. Shape of You	Composer/Writer	Steve Mac/Edward Christopher Sheeran/Tameka D Cottle/John Mcdaid/
	Artist	Kevin Briggs/Kandi L Burruss Ed Sheeran
2. Despacito	Composer/Writer	Erika Ender/Fonsi Luis
	Artist	Luis Fonsi
3. There nothin’ holdin’ me back	Composer/Writer	Geoffrey Elliott Warburton/Scott Harris Friedman/Shawn Mendes/Teddy
	Artist	Geiger Shawn Mendes
4. Feels	Composer/Writer	Adam Richard Wiles/Katy Perry/Sean Michael Anderson/Brittany Talia
	Artist	Hazzard/ Pharrell L Williams Calvin Harris
5. What About Us	Composer/Writer	Steve Mac/John Mcdaid/Alecia B Moore
	Artist	Pink

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