

ANNUAL REPORT 2016-2017

BOOSTING THE VALUE OF MUSIC

ANNUAL REPORT PRESENTED BY THE CHAIRMAN AT
THE ANNUAL GENERAL MEETING 31ST MAY, 2017

Not so long ago, traditional broadcast was predicted a gloomy outlook – mainly because young people listen to music on other platforms. But the interest in radio remains strong in Denmark and radio listening is steady. Our major source of income accordingly comes from traditional broadcast. Gramex' income from public performance is also increasing; due to the joint efforts of Gramex and Koda income from public performance increases by DKK 2.9 million this year compared to 2015, resulting in a total income of DKK 87.5 million from public performance.

In 2016, we also succeeded in keeping a tight cost control which means that total cost decreased slightly compared to 2015.

Our efforts to create new sources of income and a tight cost control delivered a strong financial result for 2017. Compared to 2015, income increased by almost one million and total income reaches more than DKK 209 million. In addition, efforts to strengthen our international relations delivered approx. DKK 9 million, adding up total earnings to almost DKK 220 million.

1. SERVING OUR CUSTOMERS

Radio broadcast is still Gramex' major source of income.

The agreement with DR continues till the end of 2018. It is essential to us to maintain a close and professional relation with DR as DR ensures a continuing airplay of Danish music in Danish radio and television. The reporting from DR is also a determining factor concerning distribution of remuneration.

In 2015, we made an agreement with TV2 which is valid until the end of 2018.

The decision made by politicians to switch off the FM radio signal in 2019 is no longer valid. The FM radio signal will not be switched off until two years after at least 50 % of the listening is digital, including radio listening in cars, and there are no indications that the FM radio signal will be switched off in the years to come.

Gramex and Koda have put extra resources into visiting retail shops using music. This joint effort has resulted in an increase in income from public performance.

2. ALWAYS AT YOUR SERVICE

In 2016, Kikki Mortensen was appointed new daily team leader of the department "Members & Repertoire" (M&R). At the same time, we changed our organizational structure and moved the department to become part of the department Business Development & Communication to join customers and members in one, stronger unit, with one manager.

The number of registered studio recording forms has increased considerably during 2016 and we receive an increasing quantity of data. As we are expecting a further increase we are preparing for this challenge. Due to huge efforts from our IT department M&R have been given the opportunity to handle this massive increase of data with an unchanged staff level. However, we may have to increase our staff level in response to the continuing increase of data for which reason we monitor developments closely.

Our IT department is also involved in an external project with the record companies to develop a joint digital solution for handling studio recording forms. We are looking forward to a smarter handling of studio recording forms from record companies to minimize paper based studio recording forms.

3. INTENSIFYING INTERNATIONAL EFFORTS

Like previous years, one of our priority areas was – and still is – international relations and bilateral agreements with more than 40 sister organizations. Owing to these agreements income from our sister organizations increases continuously. Ranking among the collective rights management societies that have the highest number of agreements allows us to be a value-adding partner collecting remuneration from abroad to those of our members who achieve success in foreign countries.

During the past few years we have ensured new bilateral agreements with GVL in Germany, PlayRight in Belgium, ITSRIGHT in Italy, SoundExchange in USA, and STOART in Poland.

In the autumn of 2016 Gramex hosted a meeting between all our Nordic sister organizations and GVL from Germany with the purpose of receiving a higher remuneration from GVL. We will pursue these efforts during 2017 as Germany is an important market for Danish music and we anticipate a higher remuneration than before.

We also made an agreement with SFH ("Gramex" in Iceland). With this agreement performer-money earned in Iceland will be distributed much faster, more accurately and with less costs than when SFH handles it themselves. Gramex handles distribution for Greenland, the Faroe Islands and now also the performers' money in Iceland.

4. CONCENTRATING OUR EFFORTS ON JOINT INTERNATIONAL DATABASE

In 2016, great efforts were put into VRDB2 and IPD – both international databases to exchange metadata between organisations across borders – to ensure that Danish rights owners receive the



remuneration they are entitled to when their music is being played in another country. These databases also influence the organisations' resource requirements with regard to the international repertoire. Consequently, when Gramex have completed the implementation of a new track based system, most likely in 2018, this system will be much more in line with VRDB2. We expect to benefit very much from this system especially when we exchange data across borders.

For the time being, this IT cooperation is useful only to the collecting societies handling performers' rights. As a database-system of this kind may very well also be of great value to the producers we work closely with the international contact for producers of sound recordings.

5. MEETING REQUIREMENTS OF THE CRM DIRECTIVE

The Directive on collective rights management (the CRM Directive) was adopted by the Commission in February 2014 and because of the CRM Directive, Gramex had to comply with the requirements of the Directive regarding collective societies by April 10, 2016. Consequently, we made a thorough review of documents and processes, and statutes for Gramex were prepared by the executive board and the management of Gramex. Our statutes became effective January 1, 2016, and Gramex was the first collective society in the EU to comply with the requirements of the Directive.

6. BRIDGING CULTURE, TECHNOLOGY AND BUSINESS

For some years now, we have initiated efforts to increase the visibility of what we do and to build value for the music industry. In 2014 our biggest effort was the establishment of Lydens Hus – an incubator for entrepreneurs working with sound. We established Lydens Hus with Vækstfabrikkerne, and the City of Copenhagen. Today, more than 60 entrepreneurs are based in Lydens Hus bridging culture, technology and business.

In 2016, Gramex initiated the largest public-private partnership in the history of Denmark with Tivoli Gardens, The City of Copenhagen, Væksthus Sjælland, and several Danish partners bridging culture, technology, and business – a project named MONICA. This project is aimed at developing new technology to optimize and control sound at outdoor concerts. The project is funded by the EU with an amount of DKK 112 million and has 29 partners across seven countries. Gramex will monitor this project closely because we want to help our members and their audience to get the best sound at outdoor concerts.

7. SUPPORTING OPHAVSRET DANMARK

Gramex continues to support Ophavsret Danmark financially and participate actively when required.

8. IT - THE ENGINE OF GRAMEX

In many ways, Gramex' present IT system is outdated. We have a label-based system which makes data handling difficult. In addition, the IT system is based on a lot of additional features, adjustments, and development tools. The development of the system was previously outsourced to external consultants.

At the end of 2014, we hired two new IT employees – and we could more than double the numbers of hours on development though at the same time maintain the price we used to pay for these tasks using external consultants. The decision to insource IT had the effect that we could handle daily operations without taking on extra employees in the department Members & Repertoire. However, this will also benefit our members who will be able to digitally submit claims and registrations faster and easier, thereby lowering the number of errors and the necessity for controls.

9. A GREAT WORKPLACE WITH A STRONG MUSIC CULTURE

Our workplace is characterized by a good work environment and a strong music culture. We are always prepared to go the extra mile for our members, customers, and the music. These are fundamental drivers for working at Gramex.

10. THE FUTURE

When benchmarking Gramex with international collecting societies, we rank at the top concerning total income, low costs, and the number of bilateral agreements. To hold this position in the Danish market, we are must maintain a tight cost control and identify new sources of income in 2017, focusing on service, visibility and business development.

Anders Laursen

Chairman of the Executive Board of Gramex

During the year under review, the executive board has consisted of professor, ph.d. Morten Rosenmeier, and from the artists' rights group Anders Laursen, chairman (Dansk Musiker Forbund/The Danish Musicians' Union), Lena Brostrøm Dideriksen (Dansk Artist Forbund/The Danish Artist Union), and Katja Holm (Dansk Skuespillerforbund/The Danish Actors' Association), and from the producers' rights group Jan Degner, vice chairman (ArtPeople), Henrik Daldorph (Sony Music Entertainment Denmark A/S), and Casper Bengtson (Universal Music Denmark), and the alternates Asger Steenholdt and Laura Littauer.