

ANNUAL REPORT 2017-2018

## **GRAMEX – YOUR MUSIC BUSINESS PARTNER**

ANNUAL REPORT PRESENTED BY THE CHAIRMAN  
AT THE ANNUAL GENERAL MEETING 31<sup>ST</sup> MAY 2018

Gramex delivered a strong financial result for 2017, the main reason being a record income of almost DKK 250 million. Compared to last year this is an increase of more than DKK 25 million, mainly related to a general increase in income from broadcast but also related to income from mandates and public performance, i.e. income from retail shops, cafés, restaurants etc.

In 2017, we have been successful in our international efforts to assure that the increasing income from abroad will find its way to our Danish artists and music businesses. Income from abroad always depends on the popularity of the Danish repertoire from one year to the next. Obviously, it is beyond our control which artists make a name for themselves. But when songs from artists like Martin Jensen, MØ, Lukas Graham, and Volbeat are being played in rotation at radio stations worldwide, Gramex is all set for handling the remuneration to our members owing to our more than 40 bilateral agreements.

With an increasing number of bilateral agreements the quantity of data increases as well. Our internal work tasks are also increasing as more radio stations switch to a complete reporting. Despite all these new and increasing number of internal work tasks, we succeeded in keeping a tight cost control and assuring a very strong financial result for 2017.

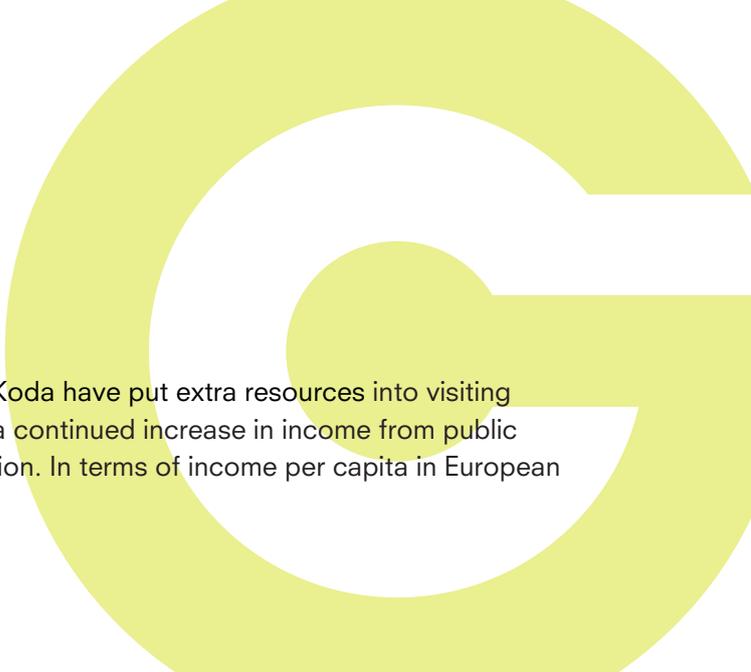
### **1. RECORD RESULT**

Our efforts to generate new sources of income and a tight cost control resulted in a financial result for 2017 at a record level.

Radio broadcast remains our major source of income and our agreement with DR continues till the end of 2018. The usage reports from DR are key factors in our distribution of remuneration and DR is a key player within the Danish music business, strengthening the diversity of Danish music. We are keen to maintain a close and professional relation with DR.

Our agreement with TV2 is valid until the end of 2018 as well.

The decision made by politicians to switch off the FM radio signal in 2019 will probably not become reality as it would require that at least 50 % of the listening is digital, including radio listening in cars. The trend of developments does not indicate that the FM radio signal will be switched off in the years to come.



As far as public performance is concerned Gramex and Koda have put extra resources into visiting retail shops using music. This joint effort has resulted in a continued increase in income from public performance which for the first time reached DKK 90 million. In terms of income per capita in European countries, Denmark is in the top rank.

## 2. NEW IT SOLUTIONS

The quantity of data to be registered by our department “Members & Repertoire” (M&R) has increased considerably during 2017, mainly because several new agreements with customers imply a complete reporting of the music they play instead of random checks. We aim at having as many customers as possible to provide a complete reporting – a step towards an even more accurate distribution. The consequence is however that we receive an increasing quantity of data. To prepare for this challenge internal procedures and new IT initiatives have been implemented to support M&R in handling this increase of data, with the same number of staff.

One of the IT-projects launched in 2017 will make it possible to report studio recording forms digitally in a DDEX-format minimizing the manual processes involved today when reporting studio recording forms to Gramex. The risk of manual errors will be minimized as well by digitalizing as many processes as possible and so will the need for checking. This project will hopefully be fully developed and tested by the end of 2018 and launched in early 2019 as a new offer to music companies and will also benefit the entire group of rights holders. Furthermore, Gramex’ management and executive board have initiated a digital strategy process focusing on our members’ access to monitor the development of airplay.

## 3. GRAMEX BENCHMARK AT TOP

Like previous years, our international relations remain a priority area. Today, we have bilateral agreements with more than 40 sister organizations and owing to these agreements income from our sister organizations has increased by two million compared to last year. Gramex rank among the top of collective rights management societies in Europe in terms of the highest number of well-functioning agreements. This is a position we intend to keep.

## 4. CONCENTRATING OUR EFFORTS ON A JOINT INTERNATIONAL DATABASE

In 2017, extraordinary efforts were made regarding VRDB2 and IPD – both international databases to exchange metadata between organisations across borders – to ensure that Danish right holders receive the remuneration they are entitled to when their music is played in another country. These databases also influence the organisations’ resource requirements with regard to the international repertoire. We expect VRDB2 to be ready for use by the international collecting societies handling performers rights towards the end of 2018 and as such make the exchange of data and claims across borders easier.

## 5. PREPARING FOR GDPR

The GDPR, General Data Protection Regulation, is a new EU data protection regulation which among other things introduces a partial harmonization of the rules for handling personal data across the European countries. This implies new and more strict obligations for those who collect and handle personal data and as such for Gramex. We have gone thoroughly through all our documents and processes and will with legal assistance be fully prepared by 25<sup>th</sup> May 2018 when the regulation takes effect.

## 6. SUPPORTING OPHAVSRET DENMARK

Gramex continuously support Ophavsret Danmark financially and participate actively when required.

## 7. THE IT ENGINE OF GRAMEX

The engine of Gramex remains IT. We depend 100 % on a well-functioning IT system. But we have a label-based system which makes our data handling difficult. Furthermore, the IT system is based on several additional features, adjustments, and development tools designed especially for us through more than 10 years.

During the past three years we have intensified IT operations and development – as an example, the quantum of data we handle today has increased significantly whereas the number of employees remains at the same level. Failing optimization of our internal processes, we would not have been able to handle the increased quantum of data. We will accordingly continue our focus on IT operations – among others the digital studio recording form project, developing a common format for upload of digital studio recording forms.

## 8. GRAMEX SUPPORT DIVERSITY

In 2017, Gramex and four other music organisations turned focus on diversity and gender (im)balance in the Danish music business; we attended open morning meetings, backed up by the Danish Arts Foundation – a forum where the music business and other players discussed specific initiatives and best practice cases; we supplied figures for a new research to show the split of male/female members in our five music organisations. The results were presented at a panel debate at the annual Spot Festival – not surprisingly, the imbalance is still significant in the music business. In Gramex alone, three out of four artist members are male members. It is a challenge that will not sort itself out; for that reason we will keep focus on diversity in the music business.

## 9. GRAMEX PUT PEOPLE AND MUSIC FIRST

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. MOVING TOWARDS 2020

In terms of total income, low costs, payments on time and to the correct rights holders, and the number of bilateral agreements, Gramex rank as one of the most efficient international collecting societies. The future exerts new demands on business development and service level such as providing enhanced transparency of collection and distribution. We aim at remaining among Europe's best joint collecting societies and to seal our position we will strengthen our efforts on service, visibility and business development through new IT solutions.

### **Lena Brostrøm Dideriksen**

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 Lena Brostrøm Dideriksen, chairman (Dansk Artist Forbund/The Danish Artist Union), Anders Laursen, (Dansk Musiker Forbund/The Danish Musicians' 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.