

Annual Report 2019

Last year – a long time ago

The Chairman's written Annual Report to the Annual General Meeting on 11 June 2020

This report looked quite different. Positive. Optimistic for the future. But in March, as you know, 2020 suddenly took a whole new direction. Like the rest of you, the board, management and organization are currently working hard to keep everything afloat. At the time of writing, we have only seen the tip of the iceberg and do not know the extent of the crisis. That is why, in this annual report, I will focus on 2019 alone, which, after all, we managed very well before we hit covid-19.

Even though it right now feels like a completely different world, 2019 was a great year for Gramex. Music, radio, audio and podcast boomed. In fact, DR's report Media Development 2019 showed that last year Danes spent most time listening to music and radio on their mobile phones compared to other content available.

Despite intensified pressure on our business from several sides, Gramex came out of 2019 with a financial result that surpasses the previous year: Revenues amount to a total of DKK 223 million, compared with DKK 221 million the year before. And with continued tight cost control, the full-year result is DKK 196 million.

The main source of revenue for Gramex in 2019 is still our radio and tv broadcast agreements, which generate a stable revenue. The 2019 radio and tv revenues total 104.7 million, compared with 103.4 million the year before. In 2019 we entered into a new 4-year agreement with Bauer Media. The agreements with both DR and TV2 have expired and Gramex is in the process of negotiating new agreements.

Gramex' revenue from Public Performance, i.e. music in shops, cafes, gyms, etc. will surpass the result for 2018. For the first time, revenues from Public Performance reach over 93 million, compared with 91 million the year before. This is despite increased pressure from the so-called royalty free music suppliers and the increasing online trade, which means that shops that would otherwise pay to Koda and Gramex are shutting down.

In 2018 Gramex saw a significant decrease in revenue received from abroad for Danish music broadcast on radio in countries covered by bilateral agreements with foreign sister organisations. For 2019 revenues appear to have increased again. Generally, revenue from abroad is relatively uncertain, as the amount of Danish music broadcast on foreign radio stations fluctuate and the

periodic payments from our sister organisations are subject to change during the year. However, we continue to work hard to obtain revenues from abroad to our rights holders.

1. Gramex introduces My Gramex and abolishes studio recording forms on paper

Over the past few years, Gramex' Member Service & Repertoire department (M&R) has seen a significant increase in data to be collected and registered. This is partly because more and more self-publishers are joining, partly because more and more labels and self-publishers are releasing EPs and singles rather than albums. In just 8 years, the number of studio recording forms has grown by over 200% and since we have not increased the number of employees to handle this huge increase, we have a strong focus on developing self-service tools for our members.

In order to reduce internal manual workflows and save print and paper, the Executive Board together with management decided to abolish the studio recording forms on paper so that from 1 April 2019 members can only fill out and submit forms online. While doing so, our M&R, IT and communication departments have spent considerable resources developing the new login My Gramex to replace the old Your Gramex. This reduces manual entry of data substantially while making it easier and quicker for our members to use our self-service.

2. Gramex strengthens IT efforts to deal with future demands

It is good news that so many people want to publish music and contribute to a broad and diverse music life in Denmark. Likewise, it is good news that Gramex is receiving an increasing amount of reporting from increasing numbers of customers because it allows us to distribute even more money to our members based on specific airplay. However, this trend also means that we must register far more producers and studio recording forms as well as airplayed tracks. Consequently, the workload looks set to rise further.

In many areas, Gramex has an outdated IT system. The system is based on a 10-year-old Navision accounting system which presents several challenges in terms of how well Gramex is equipped to handle the increasing number of registrations from its members and customer reporting.

If we compare our number of employees and level of costs with our Nordic sister organisations, Gramex is at the top. We have the fewest employees and by far the highest turnover and payout to our members as well as the lowest costs compared to the other organisations in the Nordic region. This is a position we want to maintain but it cannot be done without investments in IT development and operation – investments that both Norwegian Gramo, Swedish Sami and Finnish Gramex have made over the last few years in order to meet the demands of the future.

3. Gramex maintains its international commitment

Gramex currently has bilateral agreements with 45 sister organisations in 33 countries and thus ranks 5th internationally in regard to number of agreements concluded. This means that Gramex is the natural partner for Danish artists with airplay abroad to ensure that the money find its way back to the artist in Denmark. There is no reason why members of Gramex should pay the extra costs of an agent abroad. Simultaneously, Gramex is committed to live up to its obligations according to the

bilateral agreements and handle claims from our sister organisations on behalf of foreign musicians, artists and producers airplayed in Denmark.

4. Gramex introduces new model for allocation of costs between producers and artists

Over time, the allocation of costs between producers and artists has been the subject of discussions both on the Executive Board and at the annual general meeting. Therefore, the Executive Board are pleased to present a new model for allocation of costs which has been under way for some time.

Thus, all costs associated with the handling of Gramex' core business – section 68 of the Danish Copyright Act – will be evenly allocated between artists and producers while the cost associated with the handling of additional business areas will be proportionally allocated according to each area's share of the total revenue.

5. Gramex will get through the crisis

That was 2019. So far, so good. For good reasons, we cannot predict much for 2020. However, we do know that:

1. it will be a completely different year than we expected
2. our stream of revenues may be challenged compared to previous years' excellent results
3. the money from Gramex will be more important than ever for our members
4. music will continue to unite, create hope and community at a safe distance in times like these

Therefore, the Executive Board, the Management Board and the rest of the organization are doing everything we possibly can to get Gramex through the crisis. All members, customers and business partners are, of course, welcome to get in touch with us. Together we will get through 2020.

Take care of yourselves, of each other and of the music.

Laura Littauer

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 producers' rights group Laura Littauer, chairman (Sundance), Søren Krogh Thompson (Playground Music), and Jakob Plesner Mathiasen (IFPI Danmark), and from the artists' rights group Lena Brostrøm Dideriksen, vice chairman (Dansk Artist Forbund/The Danish Artist Union), Anders Laursen (Dansk Musiker Forbund/The Danish Musicians' Union), and Katja Holm (former Dansk Skuespillerforbund/The Danish Actors' Association), and the alternates Jens Skov Thomsen (musician), and Morten Ingholt (Universal Music).