



Gramex

ANNUAL REPORT 2022



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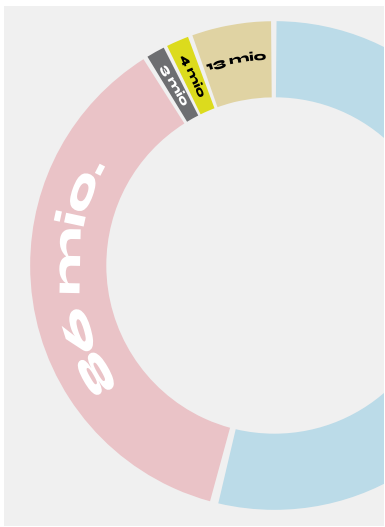
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2022 INCOME



SARA INDRIO. PHOTO: TINA AXELSSON

**"A NEW AND STRONG
ENGINE IS THE BEST
BIRTHDAY GIFT WE
CAN GIVE GRAMEX"**

CHAIRPERSON'S REPORT 2022

After some challenging years, where the coronavirus pandemic left its mark on turnover, it's wonderful to start with some good news and present a turnover for 2022 where we are back on track – and then some.

The reopening of society and the renegotiation of some of our major agreements meant that 2022 became nothing less than a record year for Gramex.

But 2022 was also the year when war broke out in Europe. Where the world changed from one day to the next, and innocent people were sent to war and forced to flee. Where in Denmark, we had to practice conserving electricity and reducing heating, while prices and interest rates skyrocketed. A development that has had significance for each of us individually, but also for Gramex, as an otherwise conservative placement of rights funds in bonds has led to a quite significant negative return on investments; a negative return that clearly impacts this year's costs.

For the Gramex organisation, 2022 has been a year that has brought more change than ever before. The replacement of all IT systems has been ongoing for most of the year. The employees in the organisation have had to simultaneously manage day-to-day operations, requirement specifications, development, testing, and new work processes in the new systems under development. All these efforts, in the long run, will lead to administrative relief and, most importantly, greater transparency towards the members. However, they have nonetheless posed challenges for an organisation in its startup phase.

Such an engine replacement doesn't come without complications, especially when carried out in an organisation with 60 years of history, as Gramex celebrated in January 2023. But a new and strong engine is and will remain the best birthday gift we can give Gramex.

RECORD YEAR ENDS 19 MILLION OVER THE PREVIOUS YEAR

Gramex's revenue for 2022 reached 232 million DKK, which is more than ever before. This is 19 million more than in 2021 and 9 million more than our previous record in 2019 before the onset of the coronavirus.

The increase in turnover is largely a result of the market now returning to a normal level after two challenging years due to the coronavirus. Additionally, in 2022, Gramex entered into new agreements with several major customers, ensuring reasonable payment for the use of music in the coming years.

The administrative costs for 2022 ended up nearly as budgeted. However, as it's well known, it has been a quite disappointing year in the stock and bond markets, and Gramex, therefore, experienced a negative return on investments of approximately 8 million DKK in 2022. This means that our overall costs have increased by almost 8 million DKK compared to 2021.

In summary, this means that there is almost 211 million DKK available for distribution in 2022. It's an impressive result, which I am very satisfied with.

Expectations for the coming year are that we will continue to increase turnover. At the same time, we anticipate a year with rising costs due to the significant decisions made on the IT front. However, this does not change our expectation of being able to send even more money to the rights holders next year.



NEW IT SYSTEMS ARE IN OPERATION

In 2022, we truly felt the consequences of replacing almost all IT systems at the same time. It has been a busy and challenging year, with both expected and somewhat unexpected challenges associated with replacing an old and partially self-developed system with new externally developed systems, both on the production and financial sides.

In the spring of 2022, we went live with a new financial system, which we have since dedicated considerable resources to further develop and adjust to ensure a tool that meets our and the rights holders' needs and expectations.

Towards the end of the year, we were ready to implement the Apollon production system, which happened in early January 2023.

The system was developed by the Austrian company BiConcepts, which has also developed systems for six other collective management organisations in Europe. BiConcepts has ensured that their system interacts with international databases on both the record company and artist sides. So, in addition to getting a better system to handle our local data, we are looking forward to optimizing and simplifying the processes related to exchanging data and money with our sister organisations abroad.

We are live and operational, but we are not done. Undoubtedly, 2023 will also be affected by the significant changes underway at Gramex. These changes, however, are absolutely necessary and much-needed to ensure that Gramex can operate as a modern and efficient collective management organisation in the future.

OTHER IMPORTANT MEASURES IN 2022

In 2022, Gramex not only replaced the engine but also our legal basis: the statutes. The board's proposal for a general update of the statutes, where the changes are primarily of a linguistic, clarifying, and editorial nature, was finally adopted at an extraordinary general meeting on October 27, 2022. The new statutes then came into effect immediately.

In the artist group on the board, we have spent most of 2022 working - and counting! - on rethinking the distribution system that underlies how we register artist rights at Gramex. A distribution system that is no longer up-to-date and, at the same time, far too complex to understand. That needs to change.

This is an endeavor that has been attempted several times in the years before my time - without success. Because when you change something, who ends up receiving more, and who receives less? And how do you strike the balance that is fair for the majority?

We want to transition to a simpler system with a fixed track value, similar to what many other Gramex organisations use. A system that also recognizes that each individual's contribution to the track is different and should, therefore, be weighted differently.

Members will hear much more about a new distribution model after the summer holidays, where we will introduce the principles we propose to apply going forward.

In 2022, Gramex also became a part of the 'The Musical Life Partnership for Sustainable Development,' which was launched in January 2023. This is a project that I personally care deeply about, as I believe we can and should prioritize sustainability in the music industry as well. It's very encouraging to feel the strong support from all sides for addressing several important issues during these years.

Gramex has been involved in the project from the beginning and will continue to engage in it going forward. Furthermore, in the Gramex board, we will talk - and talk much more - about good association management with a particular focus on representation.

And what else can we look forward to in 2023?

On the horizon, there is still - just like last year at this time - a bill on VAT for artistic activities, and we are still waiting for the Ministry of Culture to change the rules we operate under; changes that will require Gramex to manage a far larger repertoire than we do today. Both the issue of VAT and the potential expansion of the repertoire are of great importance to Gramex's business and all its members. Therefore, we hope for a swift clarification and will continue our efforts.





CONGRATULATIONS TO US!

In conclusion, I want to congratulate all of us on reaching 60. On January 24, 1963, Gramex held its first constituent general assembly. Back then, the statutes were called 'laws'. The board was called 'Council'. And people talked about gramophone records (hence Gram-ex) and phonograms.

A lot has happened since then. Turnover has gone from 1 to 232 million DKK. But even though the industry has changed, Gramex is just as essential today as it was 60 years ago. Ensuring fair compensation for rights holders for the public use of their recordings has not become any less important. On the contrary.

My time as the chairperson of the board ends for now. It has been an exciting and inspiring period, and I am convinced of the importance of both producers and artists taking an interest in securing their rights and understanding the financial flows that, among other things, pass through Gramex. Therefore, I would like to encourage all members and colleagues to engage with their rights and with Gramex.

It's a complex system that can seem like a jungle. Nevertheless, it fundamentally revolves around getting paid for your work - whether you are an artist or a record company.

And the fact that, here in Gramex, artists and producers can sit at the same table and work together to ensure the best possible conditions for rights holders and for Gramex, I see as a tremendous strength.

Even though I am stepping down from the position of board leader to make way for someone else, I will still serve on Gramex's board, where I will continue to work towards a strong Gramex.

Thanks to everyone on the board for their crucial contributions to Gramex and for their support during my tenure as board leader; it has been unequivocally appreciated.

Thanks to Laura for another year of excellent teamwork at the helm of the board. Thanks to Fie and the management team for keeping us on track during some challenging months. Lastly, but not least, thanks to everyone at Gammel Kongevej for their dedicated efforts throughout a year when going to work hasn't always been fun. I understand. And, most importantly, thanks to all the members and colleagues who make up Danish music life - and enrich the world with new music every day.

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

SARA INDRIØ
Chairperson of the Board of Gramex

GRAMEX'S BOARD

The board during the reporting period consisted of:



PERFORMERS:

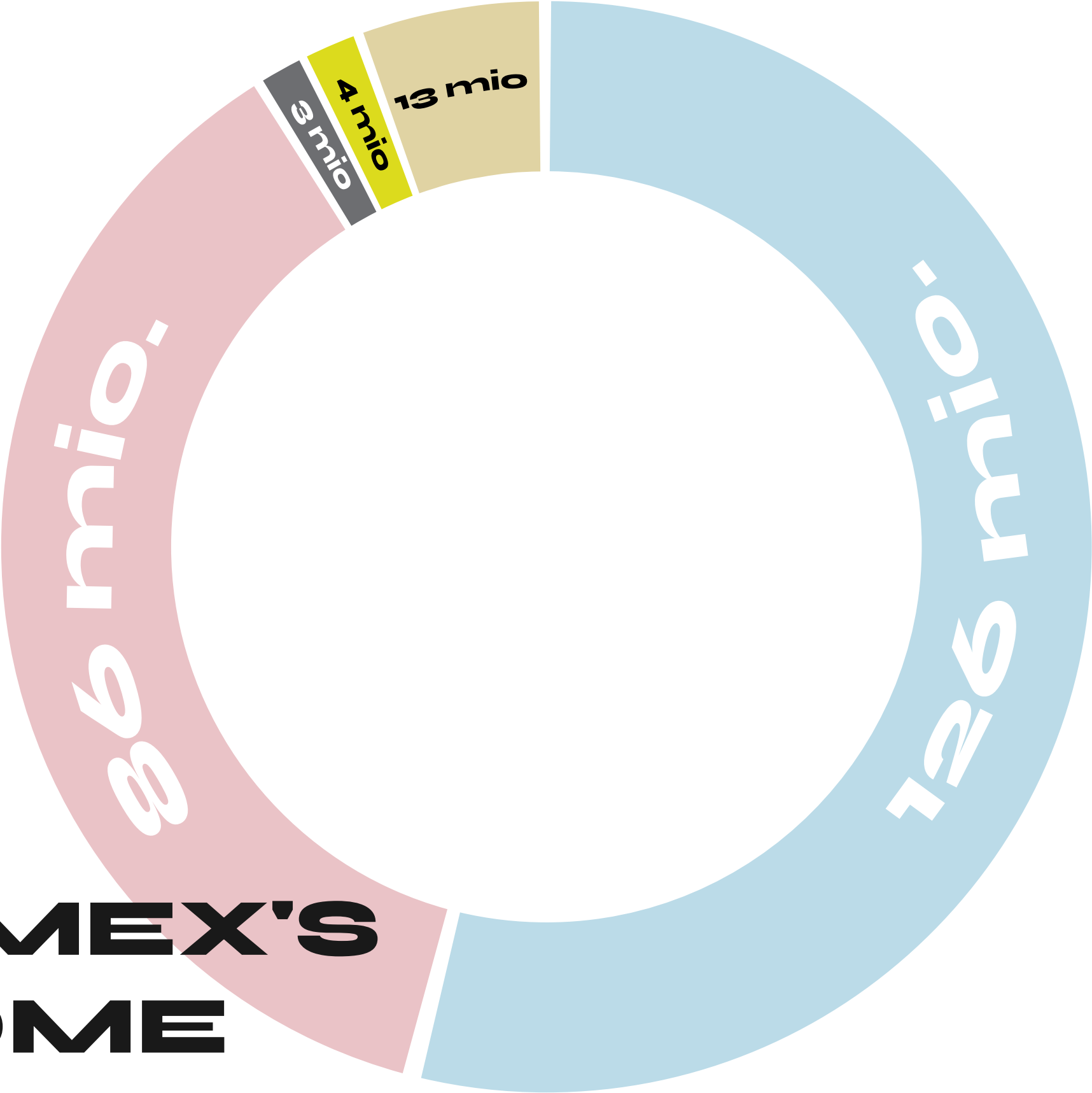
Sara Indrio (chairperson)
Søs Nyengaard
Jesper Løvdal
Jens Skov Thomsen (substitute)

PRODUCERS:

Laura Littauer (vice chairperson)
Jakob Plesner Mathiasen
Søren Krogh Thompson
Morten Ingholt (substitute)

+ Morten Rosenmeier who is elected as the seventh member with special knowledge of copyright

GRAMEX'S INCOME IN 2022



Radio/TV Stores, cafes, restaurants etc. (AOF via Koda) Other own agreements \$68 Copying (producers) Distribution (performers)

GRAMEX'S TURNOVER 2018-2022

