

gvl

Gesellschaft zur
Verwertung von
Leistungsschutzrechten

Executive Summary

Transparency and
Annual Report 2016



Foreword by the Managing Directors



**Ladies and gentlemen,
dear GVL members,**

When it comes to 2016, GVL can look back on an outstanding financial year. During the period under review, GVL not only secured record collections of EUR 272m for its 149,000+ members, but also set significant points for its track to become one of the most modern service providers for creatives.

Many of the developments already emerging in 2015 had a major influence on GVL's activities in the following year. One of the most important drivers for change to be mentioned here is, without a doubt, the implementation of the new Collecting Societies' Act (VGG). The VGG came into force on 01 June 2016 and replaced the Copyright Administration Act previously in place. With the implementation of the EU Directive, standards for collective management organisations of a general mandatory nature were established, many of which are already being applied in Germany. Against this background, GVL has developed and put into place a new set of Articles of Association and new structures. That way, all future requirements of the VGG can be met in a collaborative way.

In addition to other KPIs, the success of GVL is undoubtedly measured in terms of the level of pay-outs to its members. In this regard, 2016 marks an all-time high for our organisation. The lion's share of the 68% increase in 2016 is based on additional receipts in the reproduction sector. Payments by manufacturers and importers for private copying via mobile phones and tablets took place for the first time in the year under review. This is due to the negotiations between GVL which, together with the other involved collective management organisations, managed to successfully complete in 2015 after years of back and forth. That way, despite of all investments

made in 2016, the relative cost rate for the administrative efforts could be slightly decreased. These positive financial results are, however, unfortunately combined with a major setback in another business sector. The tariff increase in the public performance sector which has been our goal for many years, was finally rejected by the Federal Court of Justice (BGH). In an environment, increasingly marked by competition between collective management organisations, GVL finds itself restricted by unequalled tight limitations set by civil jurisdiction regarding its negotiation of future tariffs in line with market requirements. In terms of constitutional law, we consider this a severe contravention against the principle of the guarantee and preservation of ownership since this restrictive jurisprudence is tantamount to an expropriation of our rights owners in the context of the rights management that GVL has been assigned with by law. We have therefore lodged a constitutional appeal with the Federal Constitutional Court and are convinced that a correction of this situation and a rapprochement in favour of GVL and its members must take place.

Not entirely visible to the outside world, GVL has also continued the most profound realignment with its changes at technical level:

process landscapes and database systems will improve the data quality and feed the member portals artsys.gvl for artists and label.gvl for producers. The portals have been re-designed in terms of their user interface, including more comprehensive information than ever before. Based on these main IT foundations, GVL developers have created further innovative services and functionalities in 2016 which reduce the efforts for data collection, matching and processing in future to a minimum and thus significantly speed up processes overall. Even though not all functionalities have been made available completely by the end of 2016, significant points have been set in relation to a continued IT improvement process. It may well be the case that long-standing and well-liked practices have to be broken and the migration away from old systems – especially in the initial phase – will require substantial activities. However, all members will ultimately benefit from these changes.

Profound changes parallel to the daily business put the majority of GVL staff members under pressure. These people are the engine and transforming force for modernisation and ensure that GVL will function well in future. A great team to whom we owe our thanks.

Yours

Guido Evers
Managing Director

Dr. Tilo Gerlach
Managing Director

Berlin, August 2017

GVL operating figures

Deviations possible due to rounding differences

In EUR '000s	2016	2015	change PY in %
Broadcasting remuneration radio and TV	83,482	81,803	2%
Public performance	41,510	41,078	1%
Reproduction Totals	132,690	26,057	409%
Rental and Lending Totals	2,389	2,648	-10%
Cable Re-Transmission	2,075	2,157	-4%
International CMOs	5,649	3,497	62%
Sound recordings producers protection period extension	41	n/a	
Other income and interest	3,898	4,602	-15%
Total income	271,733	161,842	68%
Staff costs	9,859	7,791	27%
Collection commission	6,105	6,080	0%
GVL's own expenses	8,418	4,325	95%
Depreciation, other and extraordinary expenses	2,067	3,016	-31%
Grants	3,339	3,400	-2%
Total expenditure	29,787	24,612	21%
Gross distributable amount	241,946	137,229	76%
Blocked funds ZPÜ	51,385	25,580	101%
Blocked funds GEMA	2,000	635	215%
Net distributable amount	188,561	111,014	70%
Annual surplus	0	0	0%
Balance sheet total	551,355	412,660	34%
Number of employees / annual average	155	146	6%
Number of right holders*			
Artist category	138,721	136,574	2%
of which music performers	120,590	118,743	2%
of which word performers	18,131	17,831	2%
Producer category	10,707	10,391	3%
of which event organisers	60	58	3%
Total GVL right holders	149,428	146,965	2%

* changed order compared to the previous year due to the new Articles of Association dated 19/12/2016

Number of right holders

2013–2016



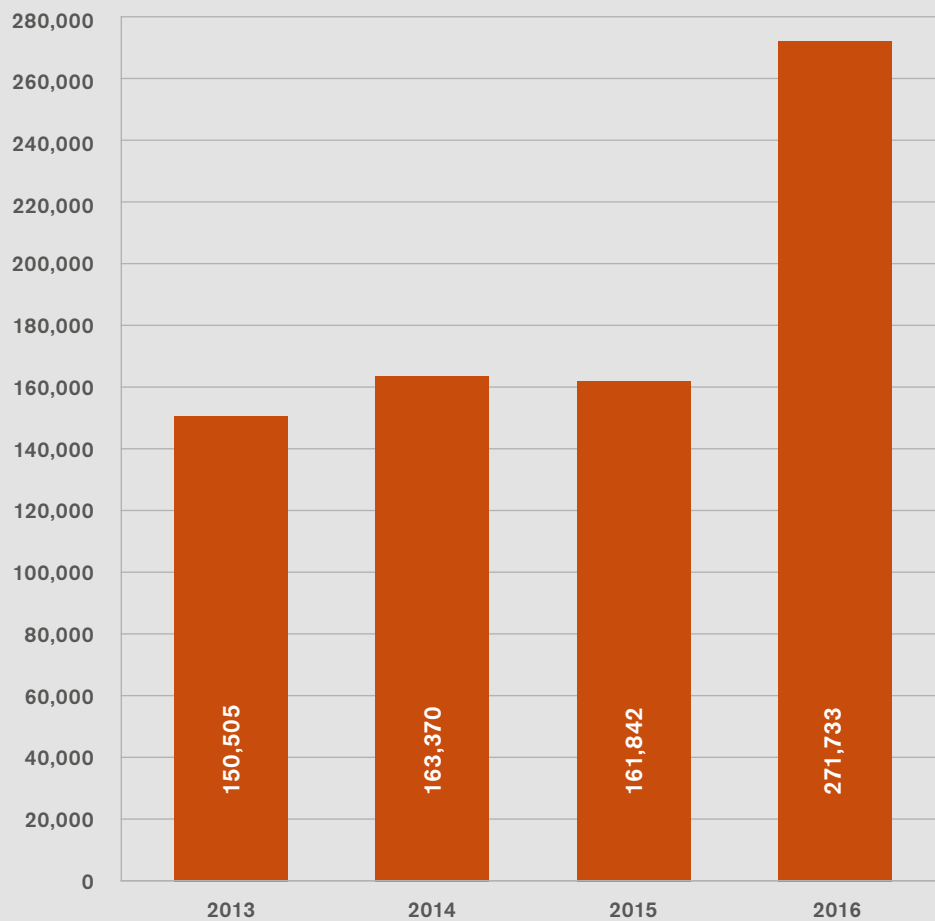
The number of GVL right holders is rising steadily. Whereas the number in 2013 amounted to 142,635, the total of those who have their rights managed by GVL increased to 149,428 in 2016. Since September 2016 it has become much easier for artists to

authorise GVL with the administration of secondary exploitation rights. Since then, artists who hold neighbouring rights may enter into a GVL representation agreement in a simple and convenient manner through our online registration process. The necessary

form was initially available on GVL's website to national and international artists who had not concluded a rights administration agreement with GVL yet, and has gradually been extended to the other right holder categories.

Total revenue

2013–2016



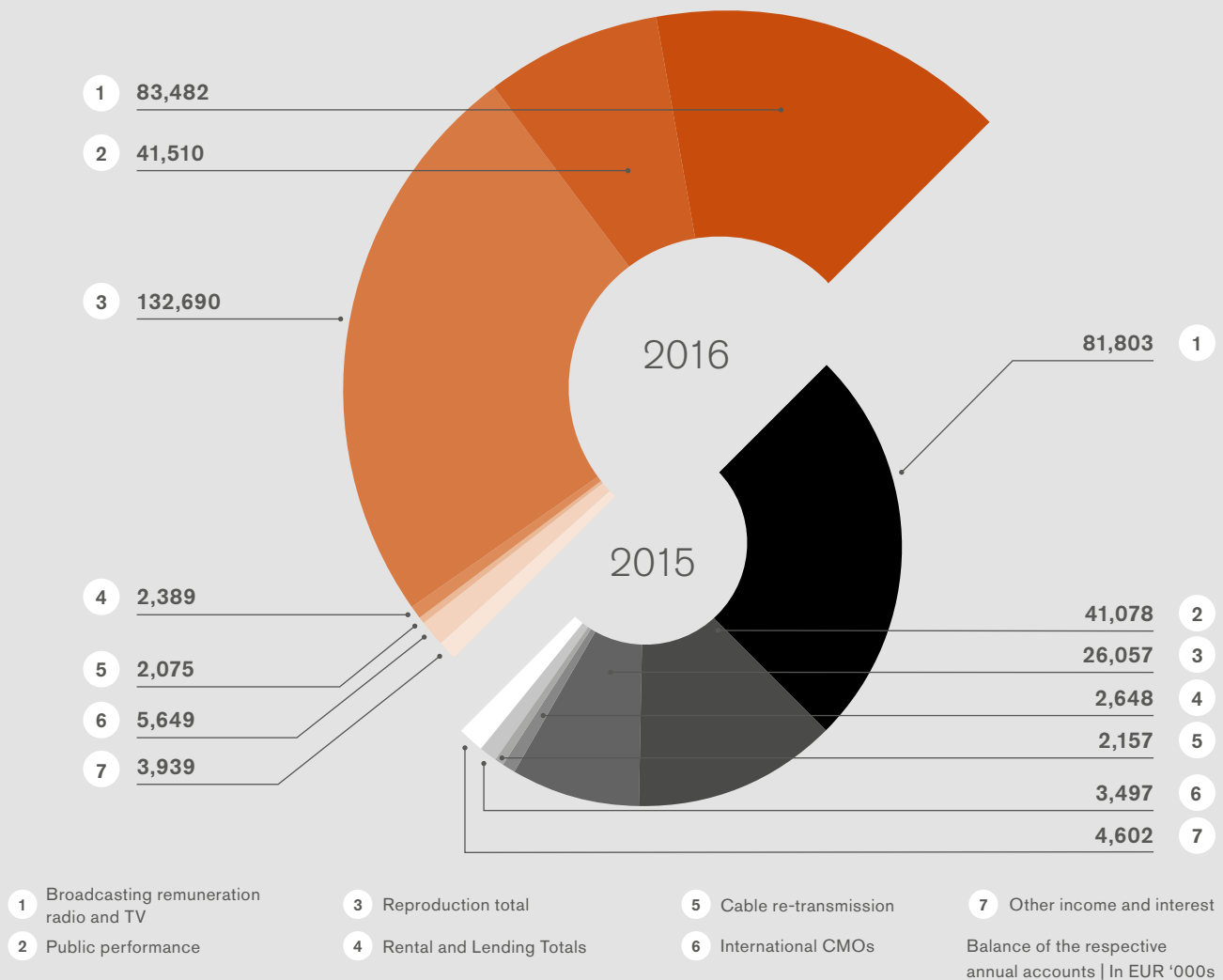
Balance of the respective
annual accounts | in EUR
'000s

GVL can close the financial year 2016 with a record turnover of EUR 272m. This represents an increase in turnover of more than 67% compared to the previous year. The basis for the significant income plus are additional collections in the category "reproduction": In 2015, GVL was able to establish a manufacturer levy together with the other involved collective management organisations after years of negotiation with the manufacturing industry. Right holders can thus benefit from the private copying levies for devices such as mobile phones and tablets for the first time.

These levies are paid by the manufacturers and importers to ZPÜ.

Revenue structure

2015 | 2016



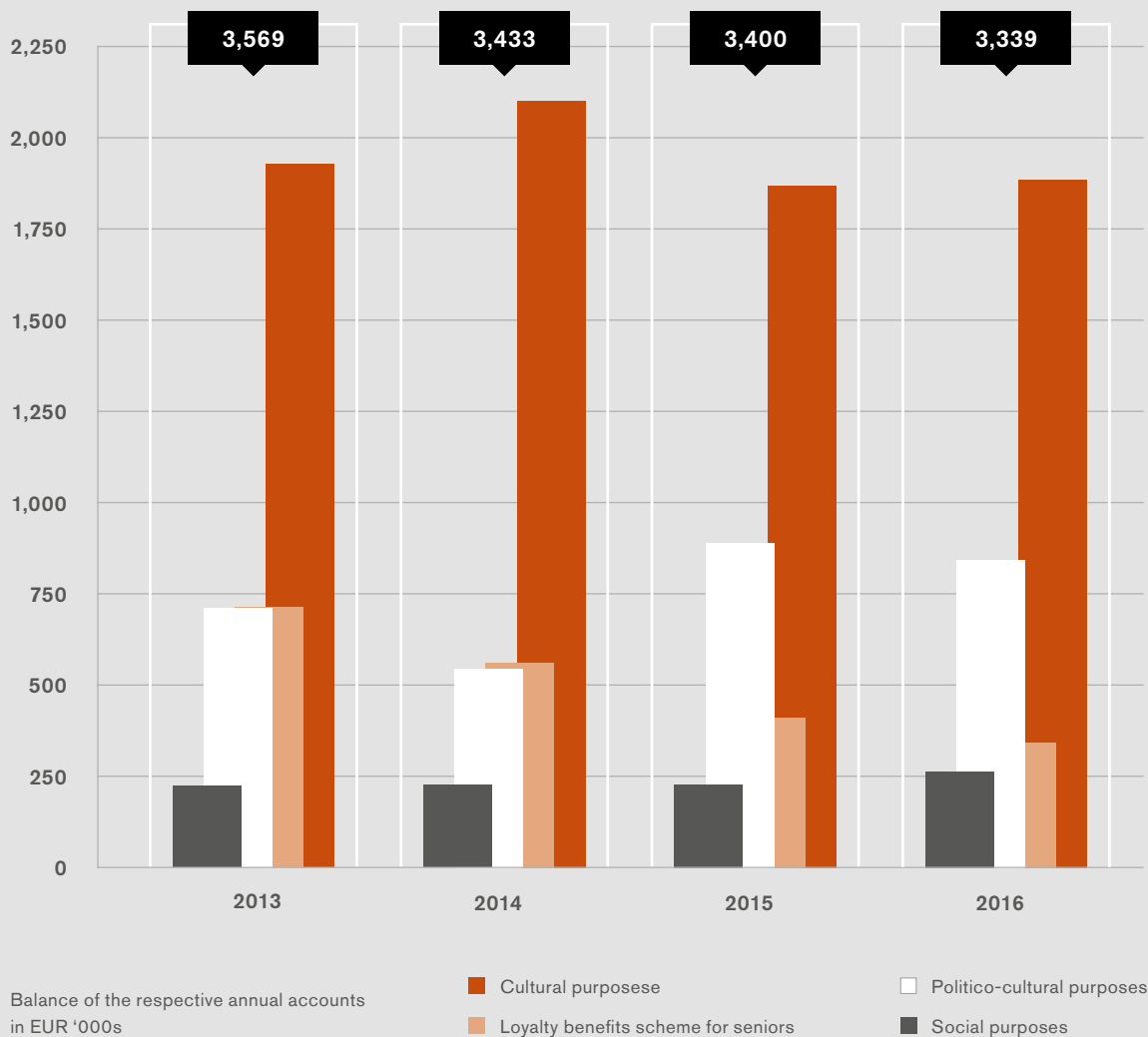
For the first time, remuneration from the reproduction category was by far the biggest income source for GVL. A total collection of EUR 132.7m was yielded in this business sector (EUR 26.1m in 2015). The total result for the reproduction category thus increased by 409 percent compared to the previous year. Moreover, the payments from international sister societies could be increased by EUR 2.2m compared to 2015, a result of new bilateral agreements as well as the ensuing remuneration exchange for our right holders. Collections in the category broadcasts radio and TV as well as remuneration from public

performance have remained relatively stable compared to the previous year, showing a slight plus. Income from rental and lending and the rental of sound recordings and videos in libraries and video shops have been subject to a slight decrease in 2016 – from EUR 2.6m in the previous year to EUR 2.4m. This can be directly linked to the changes in consumer behaviour. The income for cable re-transmission remained stable at EUR 2.1m (previous year: EUR 2.2m). Other income and interest exhibited a downward trend of 15% compared to 2015, resulting in EUR 3.9m, which is a consequence of the continuing low

interest rates. Higher interest income could not be yielded in the given market environment due to the stipulation that GVL has to follow a gilt-edged investment policy. Just like in previous years, not all of the income posted is available to GVL in order to be paid out to members by means of regular distributions – the outstanding amount which has to be temporarily blocked due to a lack of receipt of payments comes to a total of EUR 53.4m for 2016.

Grants

2013–2016



The promotion of cultural, social and politico-cultural initiatives has had a long tradition at GVL. Since GVL was founded, we have been supporting our right holders via individual and project-related promotion measures, directly and indirectly. Up to five percent of the annual distributable amount is allocated for these

purposes. In the context of the politico-cultural grants, GVL gets involved in projects, which are dedicated to the promotion of the next generation of musical talent. GVL also helps right holders with financial grants in the case of illness, inability to work or social distress not caused by the person in question.

The total amount of individual social and politico-cultural grants amounted to approx. EUR 3.3m in 2016.

→
Balthasar-Neumann
Choir



The award winners of the year 2016 →



↑ International Youth Orchestra Festival Neubrandenburg



↑ Joint concert of the National Youth Orchestra with members of the Berlin Philharmonic conducted by Sir Simon Rattle in the festival hall Baden-Baden, featuring the soloist Ludwig Quandt (Cello).

Projects supported by GVL in 2016

- Balthasar-Neumann-Ensemble
- Berliner Operngruppe e.V.
- Berliner Orgelpower
- Das Kritische Orchester
- Deutscher Freundeskreis europäischer Jugendorchester e.V.
- Deutscher Hörbuchpreis
- Deutscher Musikrat gGmbH
- Deutscher Musikrat gProjekt GmbH – Zeitgenössische Musik u. a.
- Deutscher Musikrat gProjekt GmbH – Bundesjugendorchester 2016
- Deutscher Schauspielerpreis Veranstaltungs GmbH
- Ensemble Garage e.V.
- IEMA
- Initiative Musik
- Inter Artes
- Internationales Jugendorchestertreffen NBJ
- Jeunesses Musicales Deutschland e.V.
- Junge Cross Opera e.V.
- Junge Ohren Preis
- Klassik in der Klinik
- Konservatorium „Georg Philipp Telemann“
- „Letzte Lieder ... und die Welt steht still“
- Mahler Chamber Orchestra

- Mendelssohn Hochschulwettbewerb
- Musik hilft Stiftung
- Netzwerk Junge Ohren
- Preis der deutschen Schallplattenkritik
- Tag der Musik, DMR e.V.
- un-sound e.V.
- Verband für Popkultur in Bayern
- Verein Familienmusizieren e.V.
- VUT Indie Days
- Zauberton Orchester

Transparency report: Legal form and organisational structure

Associates

Associates of GVL are the German Orchestra Association (DOV) as well as the Federal Association of the Music Industry (BVMI). In 2016, the associates were represented by Gerald Mertens (DOV) und Prof. Dieter Gorny (BVMI).

Gerald Mertens

Associates' representative for the Deutsche Orchestervereinigung e.V. (DOV, German Orchestra Association e.V.)

Born 1959 in Lübeck. He studied law and participated in educational training for church music in Kiel (1980-1986). Internships, voluntary placements, traineeships at stages of the regional capital Kiel, Hamburg State Opera, Eutiner Summer Games, German Stage Association and German Cities Council, among others (1984-1990). From 1990, legal associate with the German Orchestra Association (DOV). Solicitor in

Berlin, Managing Director of the DOV since January 2001. Associates' representative and member of the supervisory committee of GVL, Chairman of the German Orchestra Foundation. Since 2001, editor-in-chief of the magazine "das Orchester" by Schott Music, Mainz. Since 2007, Chairman of the Association "netzwerk junge ohren" (young ears' network).

Lecturships for orchestra management at the Institute for Culture and Media Management at the Freie Universität Berlin and in the specialist division cultural management and cultural tourism at the European University Viadrina Frankfurt (Oder).



Prof. Dieter Gorny

Associates' representative for the Bundesverband Musikindustrie e.V. (BVMI, Federal Association of the Music Industry)

Dieter Gorny, born 1953 in Soest, was President of the Federal Association of the Music Industry (2007-2017) and professor for cultural and media sciences at the University of applied sciences in Duesseldorf. Since 2000, he has been a member of the steering committee of the German Music Council; in 2007, he became Chairman of the Board of the German Association "Initiative Musik". In March 2015 Prof. Gorny was appointed

representative for the creative and digital sector of the Federal Ministry for Economic Affairs and Energy.

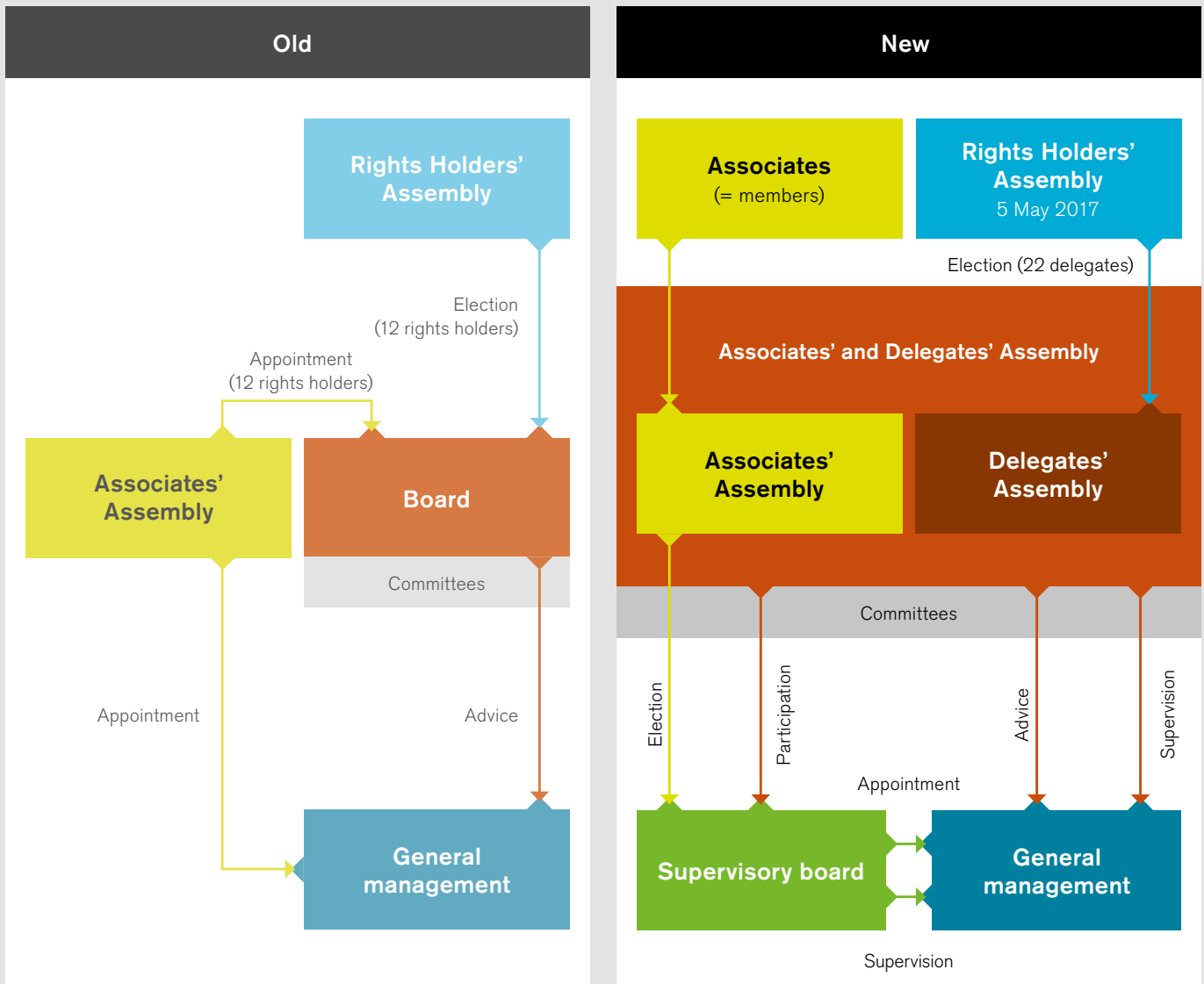
Dieter Gorny studied composition, music texture and music theory and performed with the Bochum Symphony Orchestra, among others, in the 70s. He was a member of the founding team for Popkomm, a German music conference, and launched the German music TV channel VIVA which he led as General Manager until 2004 and from 2000 onwards as Chairman of the Board of VIVA Media AG. After VIVA was taken over by Viacom in 2004, he held the position of Executive Vice President for MTV Networks Europe until 2006.

Board

At the end of 2016, the GVL Board had 24 members. They represent the interests of performing artists (singers, actors, orchestra musicians, studio musicians, rock and pop musicians, dubbing actors, conductors, choir and ballet members, literary directors and music directors), producers of sound and audiovisual recordings, music producers, producers of music video clips and event organisers. Until 2016, 12 members of the Board were elected, while the other 12 were appointed.

On 05 May 2017, the Board was replaced in its function by the Associates' and Delegates' Assembly pursuant to the new Articles of Association in force since 19/12/2016. The right holders now elect delegates as their representatives into the Associates' and Delegates' Assembly. The election of delegates (and alternate delegates) takes place in the group assemblies. The group assemblies are convened at least every four years and will remain open for all right holders to participate.

Old and new structure:



Board

As of 31 December 2016, the GVL Board had the following members:



Hans Reinhard
Biere (Vorsitz)



Christian
Balcke



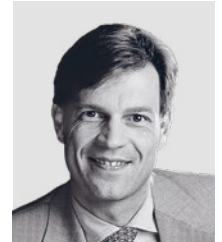
Wilfried
Bartz



Clemens
Bieber



Prof. Gottfried
Böttger (†)



Tonio
Bogdanski



Dr. Nils
Bortloff



Frank
Dostal (†)



Christof
Ellinghaus



Prof. Dr. Stephan
Frucht



Günther
Gebauer



Jörg
Glauner



Andreas
Klöpfel



Ekkehard
Kuhn



Felix
Partenzi



Bernfried
Pröve



Prof. Dr. Dr. h.c.
Peter Ruzicka



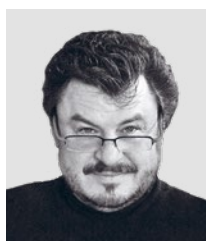
Thomas Schmuck-
ert



Prof. André
Sebald



David
Stingl



Detlev
Tiemann



Ronny
Unganz



Jean-Marc
Vogt



Till Valentin
Völger

General Management

GVL is managed by the two Managing Directors, Guido Evers and Dr. Tilo Gerlach, who enjoy equal powers and are appointed by the GVL Associates, BVMI and DOV. Guido Evers is mainly in charge for producers of sound recordings, producers of music video clips and event organisers, Dr. Tilo Gerlach is predominantly responsible for artists and performers. They are the legally authorised representatives of the organisation.



Guido Evers

Guido Evers joined the General Management of GVL in September 2009. Born in Hamburg, he studied literature, political sciences, journalism as well as media and business law. Prior to joining GVL, he held various positions in the broadcasting and film industry, such as at the Hans Bredow Institute and at UFA; he was General Counsel at Senator Entertainment AG for many years and Director of Corporate Development and General Counsel at Odeon Film AG. In addition to the above, he has been involved with various supervisory committees of both IT and media companies and as a solicitor and mediator.

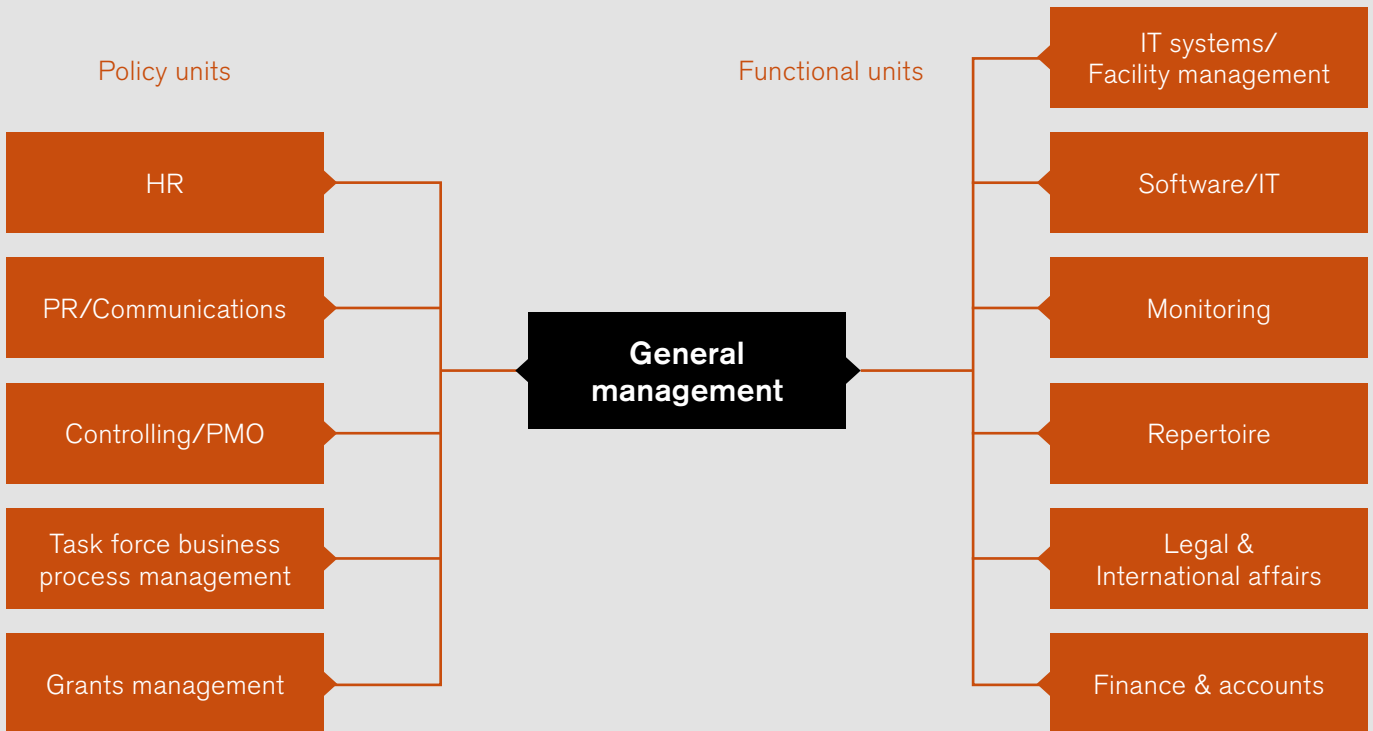


Dr. Tilo Gerlach

Dr. Tilo Gerlach joined GVL as General Counsel in 1996; he has been Managing Director since 2001. Holding a doctorate in law, he is also the President of AEPO-ARTIS (European umbrella organisation for performing artists' collective management organisations) and Board member of SCAPR (international umbrella organisation for performing artists' collective management organisations). Born in Berlin, he is additionally a lecturer at Humboldt University Berlin and has released various publications on copyright and performing artists' rights.

Internal structure

On 31 December 2016, the two Managing Directors Guido Evers and Dr. Tilo Gerlach presided over eleven departments – five of which are policy units with advisory authorities, six of which are functional units.



Holdings and affiliated companies Information on dependent rights management organisations

Name	Gegenstand	Registernummer	Gesellschafter
Zentralstelle für private Überspielungsrechte GbR [Central collection and distribution organisation for private copying levies in Germany] (ZPÜ), Munich	Assertion of claims for remuneration, information and registration relating to reproduction/copying pursuant to Art. 53 para.1 to 3 UrhG (German Copyright Act) of audio works and audiovisual works		GEMA, GÜFA, GVL, GWFF, TWF, VGF, VFF, VG Bild-Kunst, VG Wort
Zentralstelle Bibliothekstantieme GbR [Central Library Levy Organisation] (ZBT), Munich	Assertion of claims pursuant to Art. 27 para. 2 UrhG		VG WORT, VG Bild-Kunst, VG Musikedition, GEMA, GVL, VGF, GWFF, VFF
Zentralstelle für Videovermietung GbR [Central Organisation for Video Rentals] (ZVV), Munich*	Assertion of claims pursuant to Art. 27 para. 1 UrhG		GEMA, VG WORT, VG Bild-Kunst, GÜFA, GWFF, VGF, GVL
Initiative Musik GmbH	Pop music promotion	HRB 110268 B	GVL mbH, Deutscher Musikrat GmbH [German Music Council]

* Pursuant to the decree dated 10/08/2017 by the German Patent and Trademark Office the ZVV is not a dependent CMO.

Financial information

Profit and loss accounts for financial year 2016

in EUR	2016	2015
1. Turnover from collections	267,834,871.55	157,239,636.43
2. Other operating income	164,914.83	1,056,311.90
3. Staff costs	-9,858,585.42	-7,791,396.10
a) Salaries and wages	-8,004,559.58	-6,328,981.79
b) Social security contributions and expenditure for retirement benefits	-1,854,025.84	-1,462,414.31
of which retirement benefits EUR 596,319.59 (previous year: EUR 342,536.63)		
4. Amortisation relating to intangible assets pertaining to fixed assets and assets in kind	-1,270,182.27	-1,344,672.91
5. Other operating expenditure	-15,147,160.75	-11,337,313.29
6. Other interest and similar income	3,733,406.23	3,546,483.05
7. Interest and similar expenditure	-136,069.16	-708,354.00
of which amounts arising from the addition of accrued interest on reserves EUR 132,052.00 (previous year: EUR 708,354.00 €)		
8. Tax on income and revenues	-24,940.02	-19,494.98
9. Results after tax	245,296,254.99	140,641,200.10
10. Other tax	-11,565.56	-11,565.56
11. Distribution (allocations)	-3,338,643.64	-3,400,289.26
a) Allocation for cultural and social purposes	-2,494,325.00	-2,509,310.00
b) Allocation for politico-cultural purposes	-844,318.64	-890,979.26
12. Amount available for distribution	241,946,045.79	137,229,345.28
13. Blocked funds	-53,385,272.96	-26,214,872.06
14. Distributable amount	-188,560,772.83	-111,014,473.22
Annual surplus	0	0

Annual accounts 2016 and notes

Balance sheet per 31 December 2016

ASSETS in EUR	31.12.2016	31.12.2015
Fixed assets		
Intangible assets		
Concessions, industrial copyrights and similar rights and assets as well as licences for such rights and assets	2,030,081.03	2,548,006.53
Tangible assets	5,870,045.69	5,882,333.69
1. Properties with business premises	5,437,577.94	5,525,353.94
2. Operating and business equipment	432,467.75	356,979.75
Financial assets	24,904.00	24,904.00
1. Holdings in affiliated companies	24,900.00	24,900.00
2. Investments	4.00	4.00
Fixed assets total	7,925,030.72	8,455,244.22
Current assets		
Receivables and other assets	83,009,859.81	67,880,245.04
1. Receivables from trade and services	82,613,017.29	67,260,685.71
2. Other assets	396,842.52	619,559.33
Cash in hand, cash at bank	459,963,078.34	336,241,415.78
Current assets total	542,972,938.15	404,121,660.82
Accruals and deferrals	456,638.10	82,749.41
ASSETS total	551,354,606.97	412,659,654.45

LIABILITIES in EUR	31.12.2016	31.12.2015
Equity		
Subscribed capital	26,000.00	26,000.00
Reserves		
1. Reserves for the distribution	494,633,944.79	373,348,451.02
2. Reserves for pensions and similar liabilities	6,695,468.00	6,388,197.00
3. Tax reserves	3,760,852.82	2,471,624.41
4. Other reserves	1,931,258.42	554,947.55
Reserves total	507,021,524.03	382,763,219.98
Accounts payable		
1. Accounts payable to right holders from the distribution, of which carrying a residual term of up to one year: EUR 34,446,185.93 (previous year: EUR 27,558,591.36)	34,446,185.93	27,558,591.36
2. Liabilities from trade and services of which carrying a residual term of up to one year: EUR 2,221,069.01 (previous year: EUR 542,765.22)	2,221,069.01	542,765.22
3. Other liabilities of which carrying a residual term of up to one year: EUR 7,639,828.00 (previous year: EUR 1,769,077.89) of which from taxes: EUR 7,609,297.48 (previous year: EUR 1,057,536.64)	7,639,828.00	1,769,077.89
Liabilities total	44,307,082.94	29,870,434.47
LIABILITIES total	551,354,606.97	412,659,654.45

Imprint

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