



GEMA

2017

**ANNUAL REPORT
(ABRIDGED VERSION)**

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PROFIT AND LOSS STATEMENT

PROFIT AND LOSS STATEMENT FOR THE PERIOD 1ST JANUARY TO 31ST DECEMBER

[↗ T.04](#)

in €'000s	Note No.	2017	2016
1. Income	24	1,062,776	1,008,521
<i>of which</i>			
a) <i>Income from copyright exploitation and royalty claims</i>		1,057,654	1,002,952
<i>of which income from collection mandates</i>		179,371	177,659
b) <i>Other income**</i>		5,122	5,569
2. Other operating income**		9,056	14,455
3. Expenses for third party services*	26	-59,084	-52,375
4. Staff costs	25	-72,152	-77,938
<i>of which</i>			
a) <i>Wages and salaries</i>		-54,973	-44,711
b) <i>Social benefits and expenses for social security plans and support programmes</i>		-17,179	-33,227
<i>of which pension scheme payments</i>		-9,465	-25,479
5. Amortisation of immaterial assets in fixed assets and tangible assets		-6,050	-4,716
6. Other operating expenses*	26	-20,665	-20,514
7. Income from holdings		1,545	730
<i>of which holdings in related companies</i>	27	1,453	602
8. Income from securities and bonds		61	83
9. Other interest income and similar income		885	560
10. Interest paid and similar expenditure	26	-1,083	-1,337
<i>of which discounting of pension payments</i>		-1,054	-1,336
11. Results from primary business activities		915,289	867,469
12. Tax on income and revenue		-1,502	-1,076
13. Result after tax		913,787	866,393
14. Other taxes		-172	-241
15. Allocations to distribution reserve funds	20	-913,615	-866,152
16. Surplus/Deficit for the year		0	0

BALANCE AS AT 31ST DECEMBER 2017 (84TH FINANCIAL YEAR)

ASSETS

[↔ T.05](#)

in €'000s		Note No.	Version as at 31/12/2017	As at 31/12/2016
A. Assets	I. Intangible assets	2/13		
	1. Operating licences, industrial property rights, similar rights and values, and licences in such values and rights		29,541	15,129
	2. Prepayments made		18,305	18,616
	II. Tangible assets	3/13		
	1. Properties, leasehold rights and buildings, including buildings on sites not owned by GEMA		30,703	31,629
	2. Other assets, office and business equipment		2,621	2,537
	III. Financial assets	4/13		
	1. Shares in related companies	14	38,038	35,853
	2. Holdings	15	4,677	4,677
	3. Loans to holdings		9,546	7,767
	4. Fixed asset securities	16	237,000	137,985
	5. Other loans		1,006	560
			371,437	254,753
B. Current assets	I. Receivables	5/17		
	1. Membership prepayments		118,661	142,449
	2. Affiliated foreign collecting societies		60,728	59,454
	3. Sound recordings and audiovisual media companies		5,802	2,760
	4. Broadcasters		32,933	34,520
	5. Online providers		32,275	33,665
	6. Music promoters		63,428	56,208
	7. Related companies / holdings		798	1,634
	8. Companies with which an investment relation exists		547	2,025
	9. Others		15,357	10,008
	II. Cash at bank	6/18		
	1. Fixed-term deposits		15,291	45,781
	2. Others		510,307	406,441
	III. Cash in hand	6	14	15
			856,141	794,960
C. Accruals and deferred income		7	93	19
D. Trustee receivables		18	1,596	1,565
			1,229,267	1,051,297

LIABILITIES

→ T.06

in €'000s	Note No.	Version as at 31/12/2017	As at 31/12/2016
A. Capital and reserves	19	0	0
		0	0
B. Reserve funds for the distribution	20		
I. From performance, broadcasting and communication to the public rights and remuneration claims			
1. Domestic income		642,700	541,399
2. Collection mandates		26,968	26,586
3. International income		19,082	30,928
II. From reproduction rights and remuneration claims			
1. Domestic income		305,124	223,241
2. Collection mandates		2,409	3,436
3. International income		12,226	10,522
		1,008,509	836,112
C. Other reserves	8/21		
1. Reserves and accruals for pension plans and similar obligations		61,307	40,306
2. Tax accruals		2,320	944
3. Other accruals		26,374	31,033
		90,001	72,283
D. Obligations	9/22		
1. From distributed royalties			
To members		18,414	34,123
To affiliated foreign collecting societies		7,792	6,146
2. From advances to music promoters		534	533
3. To related companies / holdings		5,247	3,270
4. To companies with which investment relations exist		649	510
5. Others		50,997	52,794
of which from taxes		10,983	10,983
		83,633	97,376
E. Accruals and deferred income	10/23	45,528	43,960
F. Trustee obligations	18	1,596	1,566
		1,229,267	1,051,297

DEVELOPMENT OF FIXED ASSETS 2017

ASSETS: A. FIXED ASSETS

in €'000s	Purchase and Production Costs				As at 31/12/2017
	As at 01/01/2017	Inflows	Transfers	Outflows	
I. Intangible Assets					
1. Operating licences, industrial property rights, similar rights and values, and licences on such values and rights	67,213	1,754	17,212	-38,854	47,325
2. Prepayments made	18,615	16,901	-17,212	0	18,304
Total	85,828	18,655	0	-38,854	65,629
II. Tangible Assets					
1. Properties, leasehold rights and buildings, including buildings on sites not owned by GEMA	54,741	0	0	0	54,741
2. Other assets, office and business equipment	3,262	447	0	0	3,709
3. Prepayments made and assets under construction	0	0	0	0	0
4. Low-value assets	340	207	0	-340	207
Total	58,343	654	0	-340	58,657
III. Financial assets					
1. Shares in related companies	35,853	2,185	0	0	38,038
2. Holdings	4,677	0	0	0	4,677
3. Loans to holdings	7,767	3,829	0	-2,050	9,546
4. Other loans	560	1,313	0	-867	1,006
5. Fixed asset securities	137,985	102,000	0	-2,985	237,000
Total	186,842	109,327	0	-5,902	290,267
Sum total	331,013	128,636	0	-45,096	414,553

☞ T.07

	Accumulated Amortisation and Depreciation				Book value		
	As at 01/01/2017	Inflows	Transfers	Outflows	As at 31/12/2017	As at 31/12/2017	As at 31/12/2016
	52,084	4,554	0	- 38,854	17,784	29,541	15,129
	0	0	0	0	0	18,304	18,615
	52,084	4,554	0	- 38,854	17,784	47,845	33,744
	23,112	926	0	0	24,038	30,703	31,629
	724	364	0	0	1,088	2,621	2,538
	0	0	0	0	0	0	0
	340	207	0	- 340	207	0	0
	24,176	1,497	0	- 340	25,333	33,324	34,167
	0	0	0	0	0	38,038	35,853
	0	0	0	0	0	4,677	4,677
	0	0	0	0	0	9,546	7,767
	0	0	0	0	0	1,006	560
	0	0	0	0	0	237,000	137,985
	0	0	0	0	0	290,267	186,842
	76,260	6,051	0	- 39,194	43,117	371,436	254,753

RESERVE FUNDS FOR THE 2017 DISTRIBUTION

LIABILITIES: B. RESERVE FUNDS FOR THE DISTRIBUTION

[↗ T.08](#)

in €'000s	As at 01/01/2017	Pay-outs 2017 for previous years and advance pay-outs 2017	Allocations 2017	As at 31/12/2017
I. From performance, broadcasting and communication to the public rights and royalty claims				
1. Domestic income	541,399	388,085	489,386	642,700
2. Collection mandates	26,586	124,864	125,246	26,968
3. International income	30,928	56,868	45,022	19,082
				688,750
II. From reproduction rights and remuneration claims				
1. Domestic income	223,241	116,803	198,686	305,124
2. Collection mandates	3,436	42,203	41,176	2,409
3. International income	10,522	12,395	14,099	12,226
				319,759
Sum total	836,112	741,218	913,615	1,008,509

NOTES TO THE ACCOUNTS

for financial year
1st January until 31st December 2017

GOVERNING STATUTORY REGULATIONS

1. The annual financial statements 2017 were drawn up based on the accounting regulations for collective management organisations pursuant to Section 57 para. 1 sentence 1 VGG (Verwertungsgesellschaftengesetz – Act on Collective Management Organisations). This led to a comprehensive application of the accounting regulations of the HGB (Handelsgesetzbuch – Commercial Code) for big incorporated enterprises. Apart from the annual financial statements, consisting of balance, profit and loss statement including the notes to the accounts, a management report and a cash flow statement were drawn up.

ACCOUNTING AND EVALUATION PRINCIPLES

2. Intangible assets were activated at their acquisition costs and a straight-line depreciation method was applied over their ordinary useful lives.

3. Tangible assets were evaluated at their acquisition or production costs. The loss in value will be captured based on a scheduled straight-line depreciation. Low-value assets (up to €410) are written off in full in the year they were acquired.

4. With regards to the financial assets, shares and securities are usually recognised at their acquisition costs or lower attributable costs, and loans at their nominal value.

5. The assessment of receivables was carried out using the nominal amount; possible

shortfall risks were taken into consideration by applying an accumulated depreciation. Any potential claims to payment clawbacks vis-à-vis its members (publishers) following the judgement by the Higher Regional Court Berlin are, based on a conservative estimate, set at the level of their relevant amount owed. Receivables from the collection areas reproduction, international income, broadcast and online included conservative estimates of exploitations that had occurred during the financial year, but had not been accrued yet. Such estimates were made on the basis of empirical values based on experience. The revenues were actualized on the date of the performance delivery or exploitation. All transactions with related companies and holdings have been undertaken at normal market conditions.

6. The assessment of marketable securities, as well as cash in hand and cash at bank was performed using the nominal value.

7. Active accruals and deferred income were set up for prepaid amounts as long as they constitute expenditure for a certain period after the financial statement date.

8. The allocation of the remaining reserves takes into account all identifiable risks and uncertain liabilities, and was performed according to the principles of reasonable commercial evaluation.

In the reporting year, reserves and accruals for pension plans were calculated for the first time based on the actuarial principles pursuant to Section 253 HGB at an actuarial interest rate of 3.68%. The actuarial interest used is the average market interest published by the Deutsche Bundesbank (German Central Bank) for the last 10 financial years, at an assumed residual term of 15 years. Based on the application of an average market interest

rate pursuant to the provisions of Section 253 para. 6 HGB for the past 7 financial years for an assumed residual life of 15 years, the result would be an actuarial interest rate of 2.80% (Difference in the debit reserve according to assessment of the 7-year compared to the 10-year average interest: €11,028k). The 2005 actuarial tables by Heubeck AG are used [for the calculations]. The re-adjustments resulting from the application of the current provisions of the HGB is usually spread over 15 years. In financial year 2017, GEMA recorded the remaining eight fifteenths as an expense and has thus fully completed the re-adjustment subsequent to financial year 2016, where it had already recorded seven fifteenths as expenses.

Due to the fact that the option for accrual (i.e. whether or not to recognise the amounts in the balance sheet) had been exercised, there was an obligation arising from previous pension commitments of €15,668k (previous year: €14,172k) that was not reported in the balance sheet at the financial statement date. Furthermore, there are indirect pension commitments as at the financial statement date, 31 December 2017, of €11,104k (previous year €19,825k) (via the GEMA Unterstützungskasse Munich).

The reserves and accruals for staff anniversaries and partial retirement will also be determined on the basis of actuarial principles.

The assessment of accruals for anniversary bonuses was based on an assumed interest rate of 2.80% and partial retirement accruals on 1.33%.

9. Liabilities were assessed in the repayment amount.

10. Deferred accruals and income were created for income received before the financial statement date as long as the income in question related to a certain period after the financial statement date.

11. Receivables and liabilities in foreign currency were valued using the exchange rate on the settlement day, in other words, using the lower / higher exchange rate on the financial statement date.

12. In order to ascertain deferred taxes due to temporary or quasi-permanent differences between the commercial valuation bases of assets, debts and accruals and deferred income and their tax-related valuation bases or due to tax loss carry-forwards, the amounts of the tax burden and tax relief shall be valued at the company-specific tax rates at the time of the reduction of differences and shall not be discounted. The activation of deferred taxes shall not be made by exercising the pertaining option to recognise them for the purposes of the balance sheet.

SHARES IN RELATED COMPANIES/HOLDINGS

⇨ T.09

	Share quota	Equity Capital in €'000s	Annual surplus in €'000s
PAECOL i.L. GmbH, Munich*	100.0%	75	-148
ARESA GmbH, Munich**	100.0%	714	218
ZPÜ-Service GmbH, Munich*	100.0%	723	42
IT4IPM GmbH, Munich*	100.0%	2,869	195
GEMA Immobilien GmbH, Munich	100.0%	24	0
GEMA Immobilienverwaltung wirtschaftlicher Verein & Co. KG, Munich*	100.0%	33,660	658
GEMA Unterstützungskasse GmbH, Munich*	100.0%	25	0

* The annual financial statements are only available provisionally so far.

** Figures for financial year 2016

SHARES IN RELATED COMPANIES/HOLDINGS

↪ T.10

	Share quota	Pro-rata Equity Capital in €'000s	Pro-rata Annual Surplus in €'000s
SOLAR MRM GmbH, Munich*	50%	93	-148
iSYS Software GmbH, Munich**	24.90%	814	173
ICE Operations AB, Stockholm, Sweden*	33.33%	856	-179
International Copyright Enterprise Services Ltd., London, Great Britain*	33.33%	-997	752

* The annual financial statements are only available provisionally so far.

** Figures for financial year 2016

DETAILS ON BALANCE SHEET ITEMS

13. The development of individual items relating to fixed assets is reflecting the depreciation during the financial year and is shown in the schedule of movements in fixed assets.

14. Shares in related companies are as follows: see ↪ T.09

15. Shares in holdings are as follows: see ↪ T.10

Since 2015, together with PRS for Music, London, Great Britain, and Svenska Tonsättares Internationella Musikbyrå (STIM), Stockholm, Sweden, GEMA has held shares in the joint shareholding ICE Operations AB and International Copyright Enterprise Services Limited.

GEMA is furthermore an associate of the Zentralstelle für private Überspielungsrechte GbR, Munich (ZPÜ, Central Organisation for Private Copying Rights).

16. Fixed assets in securities and bonds amounting to €237,000k (previous year €137,985k) was increased in business year 2017 by €99,015k. The increase is a result of a more sustainable spread of financial resources, including longer term bonds and securities in the investment grade sector.

17. Receivables fall due within a year. Receivables from members do – just like in the

previous year – reflect financial ramifications of any potential clawbacks vis-à-vis its members (publishers) due to the decision of the Higher Regional Court Berlin. Receivables from related companies amounting to €798k (previous year €1,634k) mainly consist of receivables from IT for Intellectual Property Management GmbH (€528k; previous year €0k) and from ZPÜ-Service GmbH (€200k; previous year €340k).

Receivables from companies with whom GEMA entertains investment relations amounting to €547k (previous year €2,025k) consist mainly of receivables from ZPÜ with €288k (previous year €0k) and from SOLAR MRM GmbH in liquidation with €89k (previous year €202k).

Any other receivables amounting to €15,357k (previous year €10,008k) mainly affect receivables from tax authorities amounting to €3,009k (previous year €0k) as well as receivables from collection mandates amounting to €7,649k (previous year €5,853k).

18. The remaining cash at bank amounting to €525,598k (previous year €452,222k) relates to current giro account, overnight account and fixed-term deposit balances. Trustee receivables, or trustee obligations, amounted to €1,596k (previous year: €1,566k); they include security deposits from the producers of sound recordings and relate to transitory items from the licensing fees that GEMA collects and administers as a trustee until the distribution to the beneficiaries.

19. In terms of accounting, GEMA does not have equity capital or reserve assets. All proceeds are distributed to those eligible for remuneration (members, and other beneficiaries and rights owners) after expenditures have been defrayed.

20. The amount of €1,008,509k (previous year: €836,112k) is available for distribution. The amount allocated in 2017 is €913,615k (previous year: €866,152k). Based on the judgement by the Higher Regional Court Berlin, GEMA has accounted for potential entitlements to claw back payments from its members (publishers) under the balance item receivables from members. The liabilities arising vis-à-vis authors (composers and lyricists) are included as a percentage of 6.5% (previous year 7.8%) in the distribution reserves and accruals.

The development of reserve funds for the distribution is shown in the accruals and provisions schedule.

21. Other reserves and accruals amounting to €90,001k (previous year €72,283k) mainly relate to reserves and accruals for pension payments and similar obligations (€61,307k; previous year €40,306k) as well as for monetary compensation of the pensioners by GEMA's pension fund €0k (previous year €14,810k). During the report year, GEMA has directly re-assumed the pension liabilities for 24 pensioners of the GEMA pension fund. Above and beyond this, other reserves and accruals exist for the staff sector (€16,690k; previous year €6,730k), for legal and court costs (€513k; previous year €166k) as well as for costs related to annual financial statements and tax advice (€284k; previous year €310k). Reserves and accruals for income adjustments were made for the sectors online (€591k; previous year €2,069k), broadcast (€1,309k; previous year €1,260k) and sound and audiovisual recordings (€1,400k; previous year €1,600k).

22. There are no liabilities with a residual maturity in excess of one year. Other liabilities mostly consist of liabilities from the Gesellschaft zur Verwertung von Leistungsschutzrechten mbH, Berlin (GVL), the Verwertungsgesellschaft Wort, Munich (VG WORT), the Gesellschaft zur Ver-

wertung der Urheber- und Leistungsschutzrechte von Medienunternehmen mbH, Berlin (VG Media), the Zentralstelle für Videovermietung, Munich (ZWF) and the VG Musikedition, Kassel (liabilities from collection mandates €30,350k; previous year €21,645k). There are also liabilities from financial institutions amounting to €1,211k (previous year: €10,983k).

23. Deferred income included accrued membership fees, accrued proceeds from the regional office sector, and accrued online revenues.

DETAILS ON ITEMS OF THE PROFIT AND LOSS STATEMENT

24. Income from copyright exploitation and remuneration claims in the financial year were €1,057,654k, which amounted to €1,002,952k in the previous year. Their composition is as follows: see [↗ T.11](#)

Income in the reproduction and distribution followed a slight downward trend due to the general market development in the sound recording sector. The increase in income in the music events category stems partly from a general tariff increase and partly from the fact that there was no football World Cup in 2017 and thus the demand for major concerts was comparatively high. The decrease in income in the online category of streaming is a result of the strong extraordinary increase in 2016 due to the agreement with YouTube governing the period 2009 to 2016. The rather excellent overall development in the streaming category would otherwise have led to a major increase in 2017. The broadcasting category was subject to a constant development. Revenues from statutory remuneration claims were significantly influenced by another pay-out by the Zentralstelle für private Vervielfältigungsrechte (ZPÜ) for product types smartphones, tablets and PC.

As part of exercising its collection mandate, GEMA received income on behalf of other collecting societies (such as GVL, VG WORT) and forwarded the respective revenue to these societies after deducting a commission.

DETAILS ON PROFIT AND LOSS STATEMENT ITEMS

↗ T.11

Rights category	Type of usage	2017 in €'000s	2016 in €'000s	Difference in €'000s
Reproduction	Sound recordings	50,130.9	52,765.1	-2,634.3
	Audiovisual recordings	10,218.5	13,869.3	-3,650.7
	Total	60,349.4	66,634.4	-6,285.0
Performance	Music events	123,847.9	111,601.0	12,246.9
Online	Internet broadcast	571.7	449.1	122.5
	Download	13,795.1	13,280.1	515.0
	Streaming	57,701.1	70,523.4	-12,822.4
	Total	72,067.9	84,252.6	-12,184.7
Broadcast	Radio	50,403.0	48,915.7	1,487.3
	TV	173,621.8	171,790.5	1,831.3
	Cable re-transmission	14,904.0	13,807.2	1,096.8
	Total	238,928.8	234,513.4	4,415.4
Communication to the public	Mechanical communication	146,401.3	145,078.0	1,323.4
Presentation	Presentation	11,533.6	10,125.4	1,408.2
Statutory royalty claims	of which Art. 27 para. 1 UrhG	920.9	1,532.8	-611.9
	of which Art. 27 para. 2 UrhG	1,300.0	1,251.9	48.1
	of which Art. 52a para. 4	207.1	124.8	82.2
	of which Art. 54 para. 1 UrhG	150,317.3	96,478.7	53,838.6
	Total	152,745.3	99,388.2	53,357.0
International Income	Performance	47,207.7	46,960.0	247.7
	Reproduction	11,147.8	14,324.2	-3,176.5
	Cable re-transmission	14,232.6	12,186.1	2,046.5
	Total	72,588.1	73,470.3	-882.2
Collection mandates	Performance	137,312.8	134,795.1	2,517.7
	Reproduction	41,879.6	43,093.9	-1,214.4
	Total	179,192.3	177,889.0	1,303.3
Total		1,057,654.4	1,002,952.3	54,702.1

25. Staff costs amounted to €72,152k (previous year: €77,938k). The expenses contained therein for pension scheme payments amount to €9,465k (previous year €25,479k). The number of permanent employees decreased from 771 as at 31/12/2016 to 741 as at 31/12/2017.

Average staff numbers were 795 for the 1st quarter 2017, 795 for the 2nd quarter 2017, 810 for the 3rd quarter 2017, and 831 for the 4th quarter 2017.

26. Expenses for third party services, other operating expenses and other interest and similar expenditure are made up as follows: see [↔ T.12](#)

The majority of IT services is provided by the subsidiary company IT4IPM GmbH. Ancillary costs from collection activities consisted of costs for monitoring of licence registrations of €8,266k (previous year: €8,485k) as well as legal costs of €4,191k (previous year: €3,814k).

Interest expenditure (€1,083k) mainly relates to the compounding of the reserves and accruals for pension plans.

27. Income from related companies primarily applies primarily to the profit realisation for the same period from the holdings in the GEMA Immobilienverwaltung wirtschaftlicher Verein & Co. KG, Munich, of €658k (previous year: €602k) and the pay-out of IT4IPM of €490k.

DETAILS ON THE CASHFLOW STATEMENT

Cash and cash equivalents increased by €73,375k to €525,612k in the financial year compared to the previous year. The main changes are a result of the clear increase in cashflow from ongoing business due to the one-off financial items of the pay-out of the ZPÜ as well as the lower cash outflow from investment activities, particularly in financial assets. For details, we refer to the attached cash flow statement: see [↔ T.13](#)

REPORT ON EVENTS AFTER THE REPORTING PERIOD

Events that would have been of specific significance for the assessment of the GEMA's asset, finance and revenue situation have not occurred between the closure of the financial year and the Board meeting where the annual financial statements were prepared.

OTHER OPERATING EXPENSES

[↔ T.12](#)

in €'000s	2017	2016
Expenses for third party services		
IT services	28,824	26,385
Collection activities' costs	12,457	12,299
Communication expenditure and marketing measures	9,913	10,343
Other services	7,890	3,348
	59,084	52,375
Other operating expenses		
Other administration costs	5,818	5,235
Fees for consultancy and expert opinions	7,351	6,606
Buildings and room charges	4,178	3,944
Miscellaneous	3,318	4,729
	20,665	20,514
Interest payable	1,083	1,337
	80,832	74,226

SUPPLEMENTARY INFORMATION

28. Contingencies as defined by Section 251 of the HGB result from providing collaterals for liabilities amounting to €291k. Furthermore, there are miscellaneous financial liabilities arising from payment obligations from long-term rental contracts amounting to €9,853k. Premature demands in this regard are not anticipated. Besides, contingencies are a result of securities amounting to €1,494k which were assumed vis-à-vis third parties. Based on past experience, the likelihood of a drawdown can be classified as low.

29. Consultancy and expert opinion fees amounted to €7,351k in financial year 2017, of which €180k were charged for final auditing services, €135k for tax consultancy and €7,036k for other services.

30. The members of the Managing Committee in the reporting year were Dr. Harald Heker (Chairman), Lorenzo Colombini and Georg Oeller. Their salaries amounted in 2017 to €795k for Dr. Harald Heker; €389k for Lorenzo Colombini, and €448k for Georg Oeller. Moreover, there were liabilities arising from pension commitments as well as other social benefits of the active members of the Managing Committee, amounting to €752k and the previous members of the Managing Committee amounting to €727k.

31. The Supervisory Board consists of 15 members in accordance with Article 13(1) of GEMA's Articles of Association. Two representatives can be elected for every professional category in accordance with Article 13(1) sentence 2 of the Articles of Association.

The Supervisory Board thus comprises the following members:

Composers	Dr. Ralf Weigand	Chairman
	Prof. Dr. Enjott Schneider	
	Jörg Evers	
	Micki Meuser	
	Jochen Schmidt-Hambrock	
	Dr. Charlotte Seither	
	Hartmut Westphal	Deputy
Alexander Zuckowski	Deputy	
Lyricists	Stefan Waggershausen	Deputy Chairman
	Burkhard Brozat	
	Frank Ramond	
	Rudolf Müssig	Deputy
	Tobias Künzel	Deputy
	Pe Werner	
Publishers	Karl-Heinz Klemppnow	Deputy Chairman
	Prof. Dr. Rolf Budde	
	Hans-Peter Malten	
	Dagmar Sikorski	
	Patrick Strauch	Deputy
	Jörg Fukking	Deputy
	Winfried Jacobs	

The members of the Supervisory Board receive expense allowances only. During financial year 2017, this amounted to a total of €356k (previous year: €333).

Munich, 15 March 2018



Dr. Harald Heker



Lorenzo Colombini



Georg Oeller

The Managing Committee

CASH FLOW STATEMENT

CASH FLOW STATEMENT

[↗ T.13](#)

in €'000s	2017	2016
Annual results (including profit shares of minority associates) before extraordinary items	0	0
Amortisation / appreciations in value of fixed asset items	6,050	4,716
Increase / decrease of reserves and accruals	17,718	19,657
Increase / decrease of distribution reserves	172,397	199,912
Profit / loss from the outflows of fixed asset items	0	0
Increase / decrease of stock, claims from deliveries and services as well as other assets which are not allocable to investment or financial activities	12,118	- 81,859
Increase / decrease of liabilities from deliveries and services as well as other liabilities which are not allocable to investment or financial activities	- 12,174	16,499
Cashflow from current business activities	196,109	158,925
Receipts from outflows of tangible asset items / immaterial assets	0	17
Payments for investments for tangible assets / immaterial assets	- 19,309	- 17,765
Receipts from outflows of financial asset items	5,902	200
Payments for investments into the financial assets	- 109,327	- 139,406
Receipts and payments from the purchase and sales of consolidated companies and other business units	0	0
Cashflow from investment activities	- 122,734	- 156,954
Cashflow from finance activities	0	0
Cash changes of the financial resources	73,375	1,971
Financial resources at the beginning of the period	452,237	450,267
Financial resources at the end of the period	525,612	452,237

A. GENERAL CONDITIONS AND BUSINESS

1. OVERALL ECONOMIC DEVELOPMENT

The global economy shows signs of being in good condition. Global growth is carried by nearly all world regions. All larger countries grew more in the last year than in the year before. According to the growing Economic Sentiment Indicator of the European Commission, the economic climate in the Eurozone has improved significantly. The Federal Government of Germany expects a global GDP increase in 2018 of 3.8% (2017: 3.3%). In light of the stabilisation of commodity prices, the economic situation in some large emerging countries is likely to accelerate. Risks related to the growth in the Eurozone continue to be the consequences of Brexit as well as potential negative effects following the intensification of the international tax competition in the course of the US tax reform.

According to the annual economic report 2018 by the Federal Ministry of Economics and Technology, the German economy is currently in a very good condition. The 2.2% growth last year marked the highest economic growth since 2011. After adjustments were made to consider the low number of working days, the Gross Domestic Product increase was actually even more, namely 2.5%. For 2018, the growth rate expected amounts to 2.4%.

Throughout 2017, the labour market in Germany exhibited an extremely continued positive trend. Employment figures continued to rise and the workforce reached a new peak of 44.3m (previous year: 43.8m) by the end of the year. Unemployment rates were at 5.7% (previous year: 5.8%), the lowest for 25 years.

Across 2017 overall, the price climate was at its highest level for five years. The inflation rate averaged at 1.8% (previous year: 0.5%),

slightly under the medium-term target value of the ECB (European Central Bank). Mainly higher rent rates as well as an increase in energy and food prices pushed prices up.

The recovery of credit development in the Eurozone continues. The ECB (European Central Bank) continues to follow an expansionist monetary policy. The interest rate for main refinancing business has been at 0.0% since March 2016. Another value that remained unchanged since March 2016 was the short-term deposit interest rate, which continues to stay negative at – 0.40%.

2. MUSIC INDUSTRY DEVELOPMENTS

As a collection society for musical works, GEMA depends on the overall trends and developments within the music industry.

According to the Bundesverband der Musikindustrie (Federal Association of the Music Industry), an overall increase in revenues across all sectors (CDs, vinyl, downloads and music streaming) of 2.9% could be realised in the first semester of 2017. The streaming sector continued its very positive trend during the financial year. Compared to the first semester 2016, an increase of 10.3% could be achieved, which represents a market share of 34.7%. Due to this strong increase, the decline in the sound recordings market as well as the music download sector was compensated.

The level of music use on radio and TV remains high. To retain the appeal of modern TV and radio programmes, it is essential that music continues to be used commercially. Finally, music use in the live music sector also continued its development at a very stable pace.

3. LEGAL CONDITIONS

At national level, the German Bundestag has passed the Urheberrechts-Wissensgesellschafts-Gesetz [Copyright Knowledge Society Act] in June 2017. By way of this Act, regulations in terms of limitations and exceptions particularly in the field of education and research are reviewed and extended. GEMA is affected by this since it manages the statutory remuneration claims which arise from the limitations and exceptions. The new provisions enter into force in March 2018.

At European level, the Committee proposal for a Directive on Copyright in the Digital Single Market has been debated in various committees of the European Parliament (ITRE, CULT, IMCO and LIBE) throughout 2017. The regulations concerning the liability of internet services which process user-generated content uploaded by their users and protected by copyright remain a controversial issue. It is not possible to determine at this time whether there will be an intensification of the liability regime. Further topics are regulations regarding limitations and exceptions, out of stock works, the participation of publishers in statutory equalisation claims, the availability of audiovisual contents on video on demand platforms and a fair remuneration in copyright contract law. It can be assumed that the legislative process will be concluded in 2018. Following that, the Directive will have to be implemented into national legislation.

Another draft which has in the meantime made significant progress in its legislative process is the draft for a regulation to complement the Satellite and Cable Directive (so-called SatCab Directive), covering the management of copyright and related (neighbouring) rights in relation to certain online transmissions by broadcasters (so-called “ancillary online services”) and the transfer of the regulatory mechanisms from the Satellite and Cable Directive to the re-transmission of TV and radio programmes by means of other transmission technologies. This legislative process has also been subject to intensive discussions at European Parliament and European Council levels in the past year.

The focus of the debate is mainly the impact of the country of origin principle proposed by the Commission for “ancillary online services” and the technologically neutral draft of the provisions for the re-transmission of TV and radio programmes, in particular the integration of online services which are offered via the open internet (so-called “over the top services”).

A regulation that has already been passed, however, is the Regulation on the cross-border portability of online content services in the EU Single Market. This regulation enables subscribers of portable online content services to continue using their services during a temporary stay in another Member State than the country of their own permanent residence. These acts of exploitation shall be regarded as uses in the country of permanent residence from a copyright perspective.

B. INCOME, ASSETS AND FINANCE SITUATION

1. FINANCIAL PERFORMANCE OF GEMA

GEMA had a very successful financial year in 2017. Its total income at €1,074,323k was significantly higher than that of the previous year (€1,024,350k). The increase is mainly a result from another special distribution by ZPÜ.

Operating expenses (without strategic measures for bolstering the sustainability of GEMA's long-term competitiveness) were €7,369k lower than the previous year's level of €128,912k. The operational cost rate was maintained at the previous year's level of 12.7%. Total expenditure including strategic measures amounted to €160,708k. The administration cost rate including all expenses reached 15.0% (previous year: 15.4%).

2. STAFF

At the end of its financial year 2017, GEMA had 833 employees (previous year: 836 employees).

3. DETAILS ON THE CASHFLOW STATEMENT

Cash and cash equivalents increased by €73,375k to €525,612k in the financial year compared to the previous year. The main changes are a result of the clear increase in cash flow from ongoing business due to the one-off financial items of the pay-out of the ZPÜ as well as the lower cash outflow from investment activities, particularly in financial assets. For details, we refer to the attached cash flow statement.

4. REVENUE SITUATION

Total income, split into the relevant income and collection categories, was as follows: see [↪ T.14](#)

Revenue from the management of copyright exploitation rights and remuneration entitlements amounted to €1,057,654k in reporting year 2017. The rise in revenue by €54,702k compared to the previous year stems mainly from the growth in collections by the regional offices due to a general tariff revision as well as higher collections from collection category U. Furthermore, revenues in the category of remuneration claims (ZPÜ) as well as in the broadcasting sector could be increased. The growth in the remuneration claims sector is a result of the final special payment by ZPÜ for products i.e. smartphones, tablets and PC for the years 2012 to 2016. The increase in the broadcasting sector is due to the growth in the private TV sector as well as cable-retransmission.

In the reproduction sector, however, there was a market-related decline in earnings. With regards to the international income category, the results of the previous year were virtually on par with the previous year. The decline in the online category stems from the extraordinary receipts of the previous year following the contract conclusion with YouTube for the years 2009 to 2016. Without this extraordinary income, there still was an increase.

Other income was subject to a slight decline compared to the previous year. They mainly include the cost-reimbursement share of damages, service revenues as well as profit distribution of subsidiary companies.

GEMA's total expenditure and cost rates for financial year 2016 were: see [↔ T.15](#)

In order to increase the long-term competitiveness, GEMA carries out strategic measures. For financial year 2017, these amounted to €24,428k (previous year: €27,550k) and mainly affect the measures for the reorganisation of the IT infrastructure (€2,655k), strategic measures linked to international co-operation with other collective management organisations (€2,700k) and the costs for the implementation of the BGH [Federal Court of Justice] judgment on publisher participation (€1,903k). Furthermore, special restructuring actions were carried out in order to guarantee GEMA's sustainability (€11,713k).

In the past two years, staff and material costs including the strategic measures were as follows: see [↔ T.16](#)

Staff costs 2017 contain pension payments amounting to €8,466k (previous year: €9,729k) as well as expenditure for restructuring measures of €11,713k. Expenditure of the previous year included disbursements for monetary compensation offers vis-à-vis pensioners of GEMA's Unterstützungskasse [pension fund] of €14,810k.

Material costs mainly include IT services of €28,824k (previous year €26,385k), ancillary costs from collection activities of €12,457k (previous year: €12,299k) as well as amortisations of €6,050k (previous year: €4,716k).

TOTAL INCOME BY COLLECTION CATEGORIES

[↔ T.14](#)

in €'000s	2017			Difference
	Income*	Others Income	Total	
Regional offices	373,029	7,510	380,539	10,460
Reproduction	96,105	14	96,119	- 8,745
International income	72,588	0	72,588	- 923
Broadcasting	294,191	16	294,207	7,962
Online	69,917	70	69,988	- 11,629
Royalty claims	151,824	0	151,824	53,968
Other collection categories	0	9,058	9,058	- 1,120
Amounts per categories	1,057,654	16,668	1,074,323	49,973

* Income from copyright exploitation and royalty claims

in €'000s	2016		
	Income*	Others Income	Total
Regional offices	359,028	11,051	370,079
Reproduction	104,855	9	104,864
International income	73,511	0	73,511
Broadcasting	286,245	0	286,245
Online	81,457	160	81,617
Royalty claims	97,856	0	97,856
Other collection categories	0	10,178	10,178
Amounts per categories	1,002,952	21,398	1,024,350

* Income from copyright exploitation and royalty claims

5. ASSETS

The assets of the society mainly consist of current assets amounting to €856,141k resp. 70% (previous year: €794,960k resp. 76%); the majority relates to liquid assets €525,612k; previous year: €452,237k).

Fixed assets in the reporting year amounted to €371,437k (previous year: €254,753k). The increase is a result of a more sustainable spread of financial resources, including longer term bonds and securities.

Intangible fixed assets (€47,846k; previous year: €33,745k) reflect software development activities in the software sector of IT4IPM on behalf of GEMA. The most important software activations can be allocated to SAP and TIBCP Enterprise Perpetual 2017.

Financial assets mainly relate to shares in the GEMA Immobilienverwaltung wirtschaftlicher Verein & Co. KG, Munich, amounting to €34,959k, holdings in ICE Operations AB of €3,000k. Furthermore, loans were granted to the two ICE joint enterprises (ICE Operations AB and ICE Copyright Enterprise Service Ltd.), amounting to €9,546k. During financial year 2017, fixed assets made up of securities and bonds were increased by €99,015k. Any

previous short-term assets were rearranged into fund investments.

By capitalising on the synergies and strengths of GEMA, PRS for Music, STIM and ICE, GEMA continues to prepare for the dynamic market developments and the resulting changes in music user behaviour. Members benefit from simplified yet more efficient rights management and online data processing via a central European database in future.

The level of receivables increased compared to the previous year: (€330,529k; previous year: €342,723k). The difference mainly results from the reduction of the receivables in the membership sector.

GEMA's financial position is characterised by reserves for the distribution of €1,008,509k (previous year: €836,112k). Liquidity planning as a major part of GEMA's entire financial planning is based on liquidity streams which are mainly made up of expected licensing income, expenditure on staff and material costs as well as payments to members and sister societies. GEMA's proactive financial controls guarantee that surplus liquidity is invested at prevailing market rates and conditions and that short-term liquidity needs can be satisfied by GEMA's own resources.

TOTAL EXPENDITURE AND COST RATES

↔ T.15

	Income in €'000s	Expenditure in €'000s	Cost rate in %
Without strategic measures	1,074,323	136,281	12.7
With strategic measures	1,074,323	160,708	15.0

STAFF AND MATERIAL COSTS

↔ T.16

in €'000s	2017	2016	Difference
Staff costs	72,152	77,938	- 5,786
Material costs	88,556	80,260	8,296
Total expenditure	160,708	158,198	2,510

Based on the judgement by the Higher Regional Court Berlin on the participation of publishers in the pay-outs, GEMA has recorded potential claims for clawbacks from its members (publishers) under the balance item receivables from members in its annual financial statements. The arising liabilities towards its authors (composers and lyricists) amount to 6.5% (previous year: 7.8%) in the distribution reserves and accruals.

Other reserves mostly consist of pension reserves of €61,307k (previous year: €40,306k) and other accruals amounting to €26,374k (previous year: €31,033k).

Liabilities decreased by €13,743k compared to the previous year down to €83,633k. The decrease mainly results from the reduction of the liabilities vis-à-vis members and any other liabilities.

C. REPORT ON EVENTS AFTER THE REPORTING PERIOD

No events that would have been of special significance for the evaluation of GEMA's assets, finances and revenue situation occurred after closure of the financial year or prior to the compilation of the annual financial statements.

D. COMPLIANCE

Compliance means for GEMA above all to adhere to laws, regulations and directives and to the self-imposed internal rules by GEMA. Against this background, the aim of compliance management is particularly to create structures and processes which safeguard a behaviour of governing body members and staff members that is compliant with laws and regulations in their daily work. The emphasis of the activities is the recognition and avoidance of conflicts of interest and corruption prevention. These steps are also intended to avert reputational or financial damage from GEMA, since they can result from the breach of rules.

Compliance at GEMA does, however, extend beyond legal issues. Acting responsibly, having a moral and ethical integrity, being fair and transparent when dealing with members, licensees and business partners are also ingredients of GEMA's compliance programme. Taking into account societal principles and moral concepts for entrepreneurial actions and the taking on of corporate social responsibility is self-evident to GEMA.

As a consequence, one focus area of the compliance programme in 2017 was to provide communication and education about

compliance topics such as antitrust law, appropriate behaviour in the case of searches by the authorities as well as how to deal with conflicts of interest.

Data protection has been significantly tightened due to the EU-Datenschutz-Grundverordnung [EU General Data Protection Regulation (EC GDPR)] as well as the corresponding national laws (new German Data Protection Act [BDSG] and Landesdatenschutzgesetz [Data Protection Act for the German States]): There are higher requirements in terms of the implementation of a documented and effective data protection management, in particular with regards to accountability obligations and liability and sanction risks. From May 2018, penalties of up to €20m or up to 4% of the annual turnover of the group of companies apply in case of a breach.

Against this background, GEMA has begun to adapt its internal data protection concept and data protection management in order to ensure a timely implementation of the statutory data protection requirements. In this context, an external data protection officer was put in place for GEMA as well as its subsidiaries IT4IPM and ZPÜ Service GmbH.

E. OPPORTUNITIES AND RISK REPORT

1. RISK MANAGEMENT

The primary objective of GEMA's risk management is not to avoid all risks, but to manage risks in a controlled and effective manner in the company's day-to-day business. To this end, significant risks are identified bi-annually and summarised in a report for the Managing Committee. A direct report featuring all risks is also provided to the Supervisory Board each year. During the financial year, there have been no existential risks.

Another objective of risk management is to raise risk awareness among all of GEMA's employees and to thus ensure long-term success for the company.

2. RISK REPORT

Essential opportunities and risks which might have a considerable impact on GEMA's assets, finances and revenue situation, are shown in the following risk report. It comprises four risk areas: Finances, business processes, industry sectors and the legal environment.

2.1 FINANCES

Changes in interest rates imply both opportunities and risks for GEMA. Opportunities present themselves when interest rates rise and lead to a higher interest revenue in the future. Risks emerge from sinking interest rates resulting in a lower interest revenue in the future. In the case of rising interest rates, the market value of fixed interest investment portfolio decreases. Due to a longer-term investment strategy, the risks are mitigated.

Further risks for GEMA in the financial area originate from a potential shortfall in issuers of bonds and securities. By way of a conservative investment strategy and the use of professional investment managers, GEMA tries to keep the risk as low as possible. Due to the high level of market uncertainty resulting from the ongoing European debt crisis as well as the general risks arising from this situation for the European common currency, the Euro, and the general banking sector, risk assessments generally remain high.

Furthermore, there is a risk for GEMA in the event of a shortfall of receivables, should customers no longer be able to meet their financial obligations when they are due. In order to effectively control risks involved with open receivables, GEMA has introduced a monitoring process. Apart from an intensive debt collection process, larger financial items are continuously monitored.

In addition, there is the risk that investments made during the year 2015 and the previous year 2016 into the ICE joint enterprises might not realise the targeted objectives. Finally, there is an exchange rate risk to some extent related to the loans granted to these enterprises which could lead to a depreciation of the loans in the event of a deteriorating exchange rate.

2.2 BUSINESS PROCESSES

GEMA considers the optimisation and control of business processes as a central and ongoing task. The risk is minimised by means of internal controls (e.g. dual control principle), as well as by a defined approval process. In addition, the internal control system (IKS) of the respective business processes is tested by an independent internal review on a regular basis.

GEMA's business processes are, just like every modern service company, influenced and supported by information technology to a great extent. Even though there are resulting gains in efficiency, risks do arise: Due to a systems failure and any associated adverse effects on business processes, risks arise from unauthorised access, loss or deletion/manipulation of company information. Using modern hardware and software technologies ensures uninterrupted data availability and protection from unauthorised access. Regular data backups also decrease the risk of a major data loss. Potential threats arising from the internet to the operational reliability of the company's systems is countered by deploying security measures (firewalls) using state-of-the-art technology. In order to secure their long-term competitiveness, GEMA has increased its investments into a redesign of the existing IT infrastructure

2.3 INDUSTRY SECTORS

As a collective management organisation, GEMA depends on the overall trends and developments within the music sector. In addition to the developments in the sound recording and online markets, these include the developments of live music used for commercial purposes. Risks also arise particularly from a further slow-down in the sound recordings market and the fact that the online market has not offset this decline in a sustainable manner. GEMA may, however, also witness new opportunities by pushing back online piracy and a subsequent sustainable increase of the resulting income. Furthermore, there are opportunities and risks for GEMA as a result of the changes of the market due to technical innovation resp. digitisation and the ensuing relationships among the market players.

Opportunities and risks for GEMA can result from new publishing repertoires being transferred or existing publishing repertoires being withdrawn. Being one of Europe's largest collecting societies and taking its

economic strength into consideration, GEMA regards the above scenario fundamentally as an opportunity to acquire new and interesting repertoire.

Furthermore, GEMA entered into a Joint Venture (ICE), together with the British PRS for Music and the Swedish STIM during the year 2015. The international joint venture is intended to provide a simpler and more efficient framework for music rights management by the three participating collecting societies in the online sector, in order to facilitate the licensing of musical works and to ensure rights owners receive a faster and more precise distribution of their royalties. The joint venture permits a pooled licensing of a previously fragmented rights management and thus reduces the bureaucratic obstacles and entry barriers into the market for online usage.

2.4 LEGAL ENVIRONMENT

The legal environment poses enduring risks and creates potential opportunities at the same time. Apart from changes to the law passed by legislature, risks emerge from ground-breaking court decisions. GEMA actively monitors any relevant developments and is constantly in touch with the responsible governmental offices in order to guarantee an optimum consideration of its interests. The most important proceedings before the European courts, the German Federal Court of Justice and the Higher Regional Courts are portrayed below

2.4.1 EUROPEAN COURT OF JUSTICE (ECJ)

With its judgement dated 14 September 2017 the European Court of Justice (legal case C-177/16) decided in the course of a preliminary ruling procedure that, for the purposes of verifying whether a collective management organisation is applying unreasonable prices in the sense of the European antitrust law, a

comparison with the tariffs in neighbouring States can be carried out provided that the reference countries have been selected based on objective criteria and that the comparisons are made on a uniform basis.

2.4.2 GERMAN FEDERAL COURT OF JUSTICE (BGH)

The judgement of the Higher Regional Court dated 14 November 2016 (file number 24 U 96/14) continued to have effect in 2017. Following the legal action filed by two authors, the court had decided that GEMA was not entitled to let publishers participate on a blanket basis from their pay-outs for exploitation rights and statutory remuneration claims. The court did not allow an appeal. The German Federal Court of Justice rejected the appeal against refusal of leave to appeal by GEMA so that the judgement became legally binding.

Pursuant to the decision of the Higher Regional Court, the legal committee of the German Bundestag decreed a proposal for regulating the copyright contract law and the publisher participation on 13 December 2016; the proposal entered into force following a fast-track procedure on 24 December 2016.

Pursuant to Section 27 para. 2 CMO Act (revised version), GEMA may participate authors and publishers jointly again based on fixed shares once the law has entered into force, irrespective of the question who assigned the rights to GEMA. In 2017, authors and publishers therefore jointly participated in the pay-outs for exploitation rights. Pursuant to Section 27A CMO Act (revised version), the publisher participation in statutory remuneration claims is, however, subject to the authorisation of the author. As a consequence, publishers only participated in statutory remuneration claims if the respective authorisation from the author had been given.

In order to process the legal consequences of the judgement of the Higher Regional Court,

GEMA introduced an electronic confirmation process in 2017. By way of this process, publishers were able to prove their legal relationships with their authors vis-à-vis GEMA. The General Assembly 2017 resolved that, as a consequence of the decision of the Higher Regional Court, wrongful pay-outs of publisher shares should be reversed on the basis of the results of the electronic confirmation process in the second semester of 2018.

In order to prevent a statute of limitation situation of potential claims for a payment clawback against publishers for pay-outs from 2014, GEMA has obtained declarations for the waiver of claims under the statute of limitation for pay-outs in 2014 from its publisher members. In cases where no declarations for the waiver of claims under the statute of limitation were provided, GEMA took measures to delay the statute of limitations, i.e. initiated judicial reminders before the turn of the year.

F. OUTLOOK FOR FINANCIAL YEAR 2018 – FORECAST REPORT

1. FORECAST FOR GEMA'S OVERALL ECONOMIC DEVELOPMENT

For 2018, the Federal Government expects an annual average increase in the Gross Domestic Product of a real rate of 2.2% (previous year: 1.4%). Subject to the working day effect being adjusted, the GDP shall increase in the coming year by 2.4%. The continued growth in employment builds the basis for a continued domestic economic dynamic trend in Germany. Just like in the previous years, the additional employment mainly arises in the service sector, but may also expand further in the manufacturing industries. The increase in employment in the projected scope is actually enabled by the immigration from other EU States. Due to the Europe-wide economic recovery, labour demand is also expected to rise in the immigrants' countries of origin and the work migration to Germany may thus become less attractive. Furthermore, the participation of native population in the labour market is already rather high compared to the international levels, so that a further activation and exhaustion of the hidden reserves is expected to slow down in perspective. The integration of refugees into the labour market is, despite intensive integration efforts and a high demand for workers, as well as on the basis of previous experience, is not likely to take place but on a mere gradual scale.

The Eurozone witnessed an economic recovery in the last year. All larger countries grew more in the last year than in the year before. Economic dynamics are expected to remain high in the current year. The current situation of indicators is positive.

2. FORECAST FOR THE MUSIC INDUSTRY

The prognosis for the music industry is that the trends of the past few years continue, including a further decline in the sales and turnover figures for sound recordings, and a positive outlook for live music. It is also expected that the online sector, in particular streaming, continues to grow further, although the scope of said music exploitation still does not allow music authors an adequate participation in the respective economic results.

Through a multitude of negotiations, arbitration proceedings and court cases, GEMA is striving to enforce its members' rights to receive an adequate remuneration in this sector

3. FORECAST FOR GEMA'S BUSINESS DEVELOPMENT

GEMA forecasts a stable income development at a lower level for financial year 2018 despite some positive one-off effects in 2017 (e.g. pay-out of the ZPÜ). It is forecast that the negative market development regarding the domestic and international sound recording sector can be compensated by income growth in the live music and online sectors. Regarding the expenditure development, it is expected that the coming financial year will see a slight decrease.

Munich, 15 March 2018,

Dr. Harald Heker
Lorenzo Colombini
Georg Oeller

The Managing Committee

AUDITORS' REPORT

Based on the results of our examination of the annual financial statements and the management report, we hereby grant the following unqualified opinion:

“NOTE OF CONFIRMATION BY THE INDEPENDENT AUDITOR To GEMA – Gesellschaft für musikalische Aufführungs- und mechanische Vervielfältigungsrechte

Note on the examination of the annual financial statements and the management report.

Opinions

We have audited the annual financial statements of GEMA – Gesellschaft für musikalische Aufführungs- und mechanische Vervielfältigungsrechte, Berlin – comprising the balance sheet as at 31 December 2017 and the profit and loss statement for financial year from 01 January 2017 to 31 December 2017 as well as the notes, including the presentation of the accounting and evaluation principles and policies. Furthermore, we audited the management report of GEMA – Gesellschaft für musikalische Aufführungs- und mechanische Vervielfältigungsrechte for financial year from 01 January 2017 to 31 December 2017.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material aspects, with the provisions of German commercial law applicable to companies with limited liability as well as supplementary provisions of the Act on the Administration of Copyright and Related Rights by collective management organisations (Verwertungsgesellschaftengesetz, VGG – CMO Act) and, in compliance with the German prin-

ciples of adequate accounting, give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2017, and its revenue situation for financial year from 1 January 2017 to 31 December 2017 and

- the accompanying management report conveys an appropriate view of the company's position. In all material aspects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB (German Commercial Code), we declare that our audit has not led to any reservations with regards to the legal compliance of the annual financial accounts and the management report.

Basis for the Opinions

We conducted our audit of the annual financial statements and the management report in accordance with Section 57 para 1 sentence 1 VGG (CMO Act) and the provisions of Section 317 HGB (German Commercial Code) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer, IDW (Institute of Public Auditors in Germany).

Our responsibilities under those requirements and principles are further described in the section entitled “Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report” of our auditor's report. We are independent of the company in accordance with the provisions of German commercial and professional law, and we have fulfilled our other German

professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Responsibility of Management and the Supervisory Board for the Annual Financial Report and the Management Report Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the provisions of German commercial law applicable to companies with limited liability as well as supplementary provisions of the Act on the Administration of Copyright and Related Rights by collective management organisations (Verwertungsgesellschaftengesetz, VGG – CMO Act) and for the annual financial statements providing a true and fair view of the assets, liabilities and financial position of the company in compliance with the German principles of adequate accounting. In addition, management is responsible for such internal controls they determined to be necessary in compliance with the German principles of adequate accounting in order to enable the creation of the annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. Furthermore, they are responsible for financial reporting based on the going concern basis of accounting unless actual or legal circumstances to the contrary exist.

In addition, management is responsible for the preparation of the management report that, as a whole, provides an appropriate view of the company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents opportunities and risks of future development. Moreover, management is responsible for such arrangements and measures

(systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the statements in the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or collectively, they could reasonably be expected to influence the economic decisions of addressees taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate

- to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control system relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the company;
 - Evaluate the appropriateness of accounting policies used by management and the reasonableness of value estimates made by management and related disclosures;
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to be able to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner to the extent that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in compliance with German principles of adequate accounting;
 - Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the company's position it provides;
 - Perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies of the internal control system that we identify during our audit.”

Munich, 16 March 2018

Ernst & Young GmbH
Certified Auditing Company

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PUBLICATION DETAILS

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