



**GEMA**

Annual Report  
**2010**



# Dear GEMA-Members, Dear Readers,



*Dr. Harald Heker*

GEMA has coped with the difficult financial year 2010 respectably. Germany has recovered from the worldwide crisis quicker than originally thought, and this is also reflected in GEMA's economic results.

Altogether, we were able to register returns of € 863.0 million for copyright holders all over the world. Compared to the previous year, this is an increase of € 22.0 million. The definitive portion of this positive overall result, however, is from one-time supplementary payments GEMA and other collecting societies received during the period from 2002 to 2007 for copyright levies for PCs. The corresponding additional fees will be distributed to our members this year.

There are bright spots in the classic pillars of revenue for GEMA, but also several shadows. The returns from licensing of recordings, for example, previously our most important source of revenue, continue to decline in correspondence to the continuing decline in sales in the recording market and the increasingly greater use of music online. In the business year 2010, the revenue from collection services was € 140.2 million.

In the area of radio and television, on the other hand, the revenue situation for GEMA remained substantially stable. The revenues of € 261.6 million may have been below the peak level of the previous year, but this reduction can be traced to the special cause and effect in 2009 from the cable television industry's supplementary payments. The largest increase in revenue for collection services in radio and television was in the area of privately-owned television networks, with a plus of € 7.1 million.

Our regional offices also had higher returns than the previous year; we merged several office locations in 2010. The returns from the licensing of performance rights in the reporting year amounted to € 299.1 million; this corresponds to an increase of € 4.5 million.

Advances, although only small, were also made in the online area. In 2010, the online area had returns of € 13.3 million, an increase of € 2.7 million compared to the previous year.

And even if we could increase the total revenue from online collection services continuously in the past years, this development cannot hide the fact that the returns still are at an obviously too low level, and the authors still hardly receive any compensation – or receive no compensation at all – for the actual use of music on the Internet.

Additional decreases in recording sales are to be expected during the current year, and tremendous efforts are still required in the business division of online/mobile services in order to achieve appropriate returns. It is even more important that GEMA, in view of these developments, continues to emphasize to the general public the value of music and the significance of copyrighted creations.

Therefore, we will continue to work in the future to have politicians and the general public recognize the value of media contents and to accept the legitimate concerns of authors. We are working to improve the legal conditions for creative work and to have these legal conditions adjusted to the digital challenges in order to guarantee an efficient protection for authors.

We, together with our partners from other media areas, have once again put words into action with the recently formed Deutsche Content Allianz. It is in the interest of all of us to maintain this course.

Yours,



Harald Heker

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## Three Key Figures for the Year 2010

1.

THE SUM OF THE **RETURNS** IS  
€ 863.0 MILLION.

2.

THE **DISTRIBUTION SUM** IS  
€ 735.9 MILLION.

3.

THE **COST UNIT RATE** IS  
14.7 PERCENT.

## At a Glance

	2010	2009	2008
	in thousand €	in thousand €	in thousand €
Income	862,961	841,055	823,007
Expenditures	127,072	128,004	122,357
<b>Distribution Sum</b>	<b>735,889</b>	<b>713,051</b>	<b>700,650</b>
Cost Rate	14.7 %	15.2 %	14.9 %
<b>Breakdown of Income:</b>			
Arranged according to rights			
Performance, presentation, broadcast and playback rights	411,140	408,697	402,208
Reproduction rights	185,747	180,752	193,389
– from sound storage media licenses	74,392	79,277	85,094
– from other areas	111,355	101,475	108,295
Royalty entitlements	53,766	10,827	30,223
Mandates for collection	191,211	218,908	159,719
– from central licensing of sound storage media and audio-visual media	70,998	72,534	72,099
– from other collecting societies	120,213	146,374	87,620
Other income	21,097	21,871	37,468
	<b>862,961</b>	<b>841,055</b>	<b>823,007</b>
Arranged according to area			
Live Music	83,202	85,628	80,929
Soundtracks	8,221	8,014	8,391
Mechanical Music	125,154	123,191	122,420
Royalty entitlements according to Paragraph 27, Copyright Act	4,668	5,427	6,019
Reproduction of sound storage media and audio-visual media	170,499	172,688	178,856
Mandates for Collection for other collecting societies	59,714	54,783	52,151
Royalty entitlements according to Paragraph 54, Copyright Act	49,098	5,400	24,204
Radio and Television	261,587	287,275	241,457
Online	14,195	11,381	7,902
Foreign Countries	65,526	65,397	63,210
Other income	21,097	21,871	37,468
	<b>862,961</b>	<b>841,055</b>	<b>823,007</b>
<b>Breakdown of Expenses:</b>			
Human resources expenses	67,788	73,414	65,179
Material expenses	59,284	54,590	57,178
	<b>127,072</b>	<b>128,004</b>	<b>122,357</b>



# Report of the Board of Supervisors

# Report of the Board of Supervisors

The Board of Supervisors conducted meetings during the reporting year on twelve days, namely on March 10 and 11; on May 11 and 12; on June 28 and 30; on September 20 and 21; on October 13 and 14; and also on December 8 and 9, 2010. In addition, the committees set up by the Board of Supervisors held regular meetings (committees such as the tariff committee, distribution plan commission committee, and program committees), and the assessment committees and the shop committees also held regular meetings. During mutual meetings with the Executive Board, the Board of Supervisors discussed the situation of GEMA, the course of business, and the business policies, based on written and oral reports from the Executive Board, and the Board of Supervisors consulted with the Executive Board on these issues.

In the business year 2010, the finance committee of the Board of Supervisors conducted meetings on May 10 and December 7. The results of the respective meetings were reported to the Board of Supervisors. The finance committee dealt with the business report of the Executive Board for 2010 during its meeting on May 3, 2011, and reported on this to the Board of Supervisors during their meeting on May 4, 2011.

The appointed auditing company Ernst & Young GmbH, Certified Auditors, Munich, examined and audited the annual statement of accounts 2010, which was compiled by the Executive Board and included the integration of the accounting and the status report, and Ernst & Young GmbH granted their unrestricted auditor's certificate.

The Board of Supervisors examined the auditor's report during their meeting on May 4, 2011, and did not raise any objections to the auditor's examination results and to the status report of the Executive Board. The Board of Supervisors approved the annual statement of accounts, which is therefore ascertained.

In the reporting year, the following persons were members of the Board of Supervisors:

Composer committee: Klaus Doldinger; Jörg Evers; Professor Enjott Schneider; Professor Lothar Voigtländer; Dr. Ralf Weigand; Christian Wilckens; and as deputies Prof. Dr. h. c. Wolfgang Rihm and Professor Manfred Schoof.

Lyricist committee: Burkhard Brozat; Frank Dostal; Frank Ramond; Stefan Wagershausen; and as deputies Tobias Künzel and (as of February 26) Hans-Ulrich Weigel.

Publisher committee: Professor Rolf Budde; Karl-Heinz Klemppow; Hans-Peter Malten; Dagmar Sikorski; Patrick Strauch; and as deputies Lutz Ilgner and Professor Klaus-Michael Karnstedt.

The chairman is Jörg Evers; vice chairmen are Frank Dostal and Karl-Heinz Klemppow.

**Munich, May 4, 2011**

**The chairman of the Board of Supervisors  
Jörg Evers**





# Organization

# Executive Board

**President and Chief Executive Officer:** Dr. Harald Heker  
**Member of the Executive Board:** Rainer Hilpert  
**Member of the Executive Board:** Georg Oeller



*Dr. Harald Heker*



*Rainer Hilpert*



*Georg Oeller*

# Board of Supervisors



*Jörg Evers*



*Frank Dostal*



*Karl-Heinz Klempnow*

**Chairman:**

Jörg Evers

**Vice Chairman:**

Frank Dostal  
Karl-Heinz Klempnow

Burkhard Brozat  
Prof. Dr. Rolf Budde  
Klaus Doldinger  
Hans-Peter Malten  
Frank Ramond  
Prof. Dr. Enjott Schneider  
Dagmar Sikorski  
Patrick Strauch  
Prof. Lothar Voigtländer  
Stefan Waggershausen  
Dr. Ralf Weigand  
Christian Wilckens

**Deputies:**

Lutz Ilgner  
Prof. Klaus-Michael Karnstedt  
Tobias Künzel  
Prof. Dr. h. c. Wolfgang Rihm  
Prof. Manfred Schoof  
Hans-Ulrich Weigel (as of 26.02.2010)

**Legal Advisor:**

Prof. Dr. Karl Riesenhuber

# Honorary Members

Prof. Harald Banter  
Prof. Christian Bruhn  
Klaus Doldinger  
Dr. Peter Hanser-Strecker  
Karl-Heinz Klemnow  
Jo Plée  
Prof. Dr. Hans Wilfred Sikorski  
Prof. Karl Heinz Wahren  
Hartmut Westphal

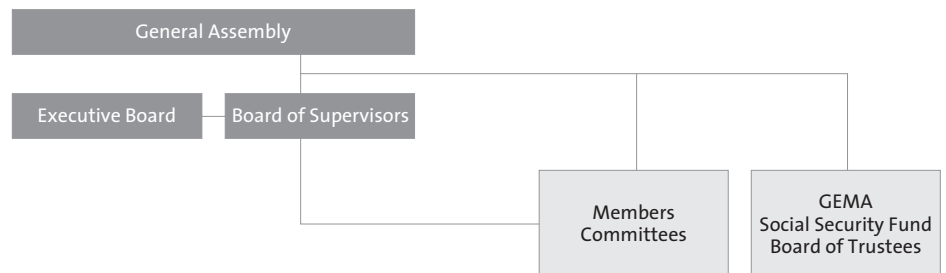
Bruno Balz (deceased)  
Richard Bars (deceased)  
Prof. Jürg Baur (deceased)  
Prof. Werner Egk (deceased)  
Dr. Hans Gerig (deceased)  
Prof. Dr. Dr. h. c. Joseph Haas (deceased)  
Hans Hee (deceased)  
Kurt Hertha (deceased)  
Heinz Korn (deceased)  
Peter Jona Korn (deceased)  
Eduard Künneke (deceased)  
Dr. Willy Richartz (deceased)  
Prof. Dr. Georg Schumann (deceased)  
Günther Schwenn (deceased)  
Dr. Hans Sikorski (deceased)  
Dr. Dr. h. c. Ludwig Strecker (deceased)

# Honorary Presidents

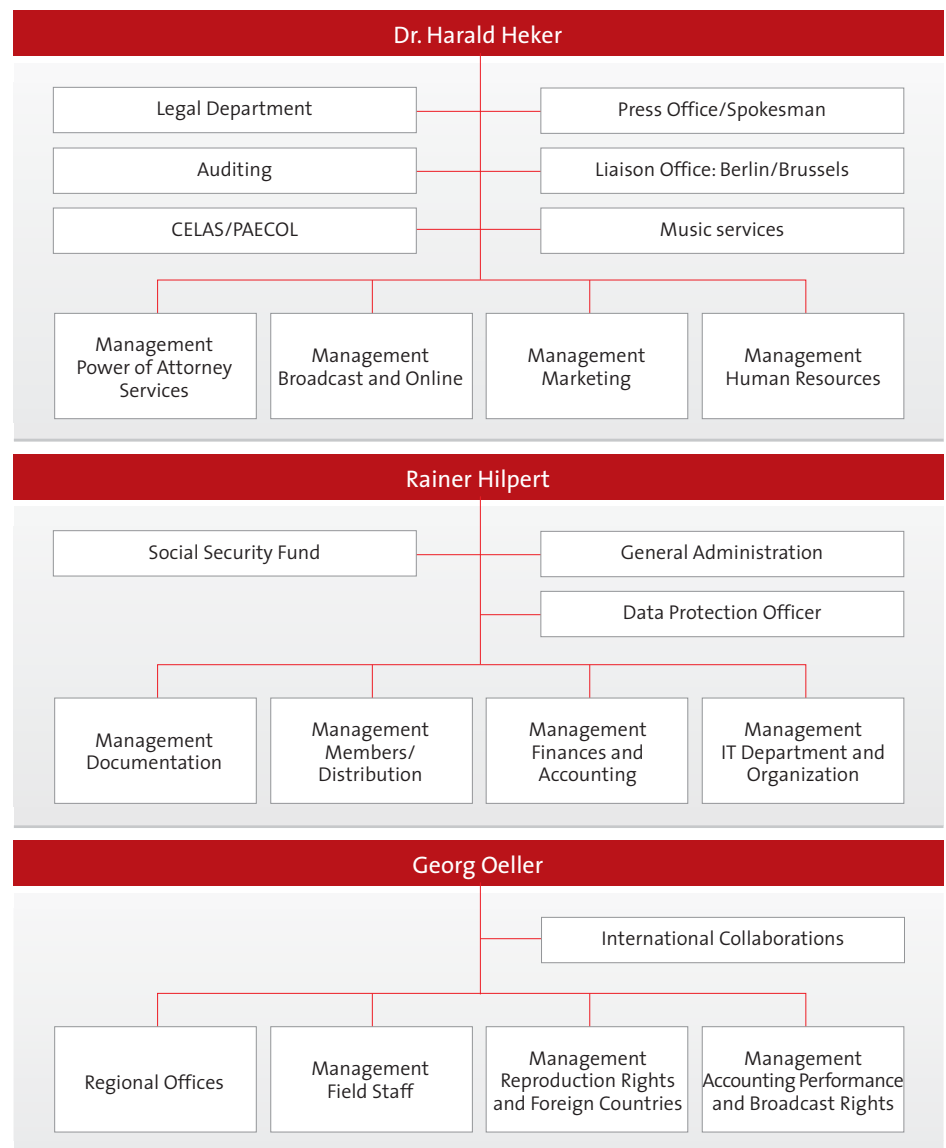
Prof. Dr. Reinhold Kreile  
Prof. Dr. jur. h. c. Erich Schulze

# Organizational Chart of GEMA

(as of December 31, 2010)



## Fields of Activities and Responsibilities of the Executive Board





# Committees

## Financial Committee

Prof. Dr. Rolf Budde  
Frank Dostal  
Prof. Dr. Enjott Schneider  
Dagmar Sikorski  
Stefan Waggershausen  
Christian Wilckens

- **Deputies:**  
Burkhard Brozat  
Patrick Strauch  
Prof. Lothar Voigtländer

## Tariff Committee

Frank Dostal  
Jörg Evers  
Karl-Heinz Klempnow  
Hans-Peter Malten  
Frank Ramond  
Dr. Ralf Weigand

- **Specialist:**  
Patrick Strauch

## Program Committee

- **Subcommittee Serious Music:**  
Prof. Klaus-Michael Karnstedt  
Prof. Dr. Enjott Schneider  
Dagmar Sikorski  
Prof. Lothar Voigtländer

- **Deputy:**  
Prof. Manfred Schoof
- **Specialists:**  
Moritz Eggert  
Johannes Hildebrandt  
Winfried Jacobs

- **Subcommittee Light/Popular Music:**  
Burkhard Brozat  
Jörg Evers  
Lutz Ilgner  
Prof. Klaus-Michael Karnstedt  
Stefan Waggershausen  
Dr. Ralf Weigand

## Statutory Committee

Burkhard Brozat  
Prof. Dr. Rolf Budde  
Jörg Evers

## Distribution Plans Committee

- **Composers:**  
Prof. Dr. Enjott Schneider  
Prof. Lothar Voigtländer  
Dr. Ralf Weigand

- **Representatives of Composers:**  
Prof. Dr. h. c. Wolfgang Rihm  
Christian Wilckens

- **Lyricists:**  
Frank Dostal  
Stefan Waggershausen

- **Representative of Lyricists:**  
Frank Ramond

- **Publishers:**  
Dagmar Sikorski  
Patrick Strauch

- **Representatives of Publishers:**  
Prof. Dr. Rolf Budde  
Hans-Peter Malten
- **Specialists:**  
Prof. Harald Banter  
Klaus Doldinger

### Cultural Committee

Burkhard Brozat  
Prof. Klaus-Michael Karnstedt  
Frank Ramond  
Dagmar Sikorski  
Prof. Lothar Voigtländer  
Dr. Ralf Weigand

### Marketing Committee

Prof. Dr. Rolf Budde  
Frank Dostal  
Jörg Evers  
Prof. Dr. Enjott Schneider  
Patrick Strauch  
Stefan Wagershausen

### Committee for the Rating procedures of the Composers in the category Serious Music

Werner Heider (until June 30, 2010)  
Prof. Dr. h. c. Robert M. Helmschrott  
Prof. Martin Christoph Redel  
Helmut Zapf (as of June 30, 2010)

- **For Choir Music:**

Prof. Karl Haus  
Gerhard Rabe

- **Delegate for associate Members  
and affiliated Members:**

Peter Helmut Lang

### Committee for the Rating procedures of the Lyricists in the category Serious Music

Michael Holm  
Erich Offierowski  
Carl J. Schäuble († August 24, 2010)

- **Delegates for Special Members  
and Associated Members:**

Heiner Tietze

### Committee for the Rating procedures of the Publishers in the category Serious Music

Stefan Conradi  
Horst Schubert

- **Deputies:**

Werner Heider (as of June 30, 2010)  
Prof. Manfred Trojahn  
Helmut Zapf (until June 30, 2010)

- **Deputies:**

Dieter Frommlet (as of June 30, 2010)  
Jürgen Golle (as of June 30, 2010)  
Wolfgang Lüderitz (until June 30, 2010)  
Dr. Rudolf Lukowsky (until June 30, 2010)

- **Delegate of the Board of Supervisors:**

Prof. Dr. Enjott Schneider

- **Deputies:**

Norbert Hammerschmidt  
Rudolf Müssig (as of June 30, 2010)  
Klaus Pelizaeus  
Hans-Ulrich Weigel (until February 26, 2010)

- **Delegate of the Board:**

Stefan Wagershausen

- **Deputy:**

Dr. Peter Hanser-Strecker (as of Oct. 14, 2010)  
Dr. Reinhold Quandt (until Oct. 14, 2010)

- **Delegate of the Board of Supervisors:**

Dagmar Sikorski

**Committee for the Rating  
procedures of the category  
Light and Dance Music**

- **Composers:**  
Thorsten Brötzmann  
Dr. Rainer Fabich  
Michael Reinecke

- **Lyricists:**  
Michael Holm  
Erich Offierowski  
Carl J. Schäuble († August 24, 2010)

- **Publishers:**  
Suzan Frauenberger  
Pamela Georgi-Michel  
Michael Wewiasinski

**Delegates of associate and  
affiliated Members:**

- **Composers:**  
Ole Seelenmeyer

- **Lyricists:**  
Heiner Tietze

- **Publishers:**  
Thomas Ritter

Raimond Erbe  
Prof. Wieland Reissmann  
Joachim Schmeißer  
Werner Theisen  
Prof. Bernd Wefelmeyer

**Assessment Committee  
of the Arrangers**

- **Composers:**  
Prof. Theo Brandmüller  
Dieter Reith  
Jochen Schmidt-Hambrock  
Prof. Bernd Wefelmeyer

- **Representatives of Composers:**  
Heinz Ehme  
Peter Finger  
Ladislav Geisler

- **Representatives of Lyricists:**  
Norbert Hammerschmidt  
Rudolf Müssig (as of June 30, 2010)  
Klaus Pelizaeus  
Hans-Ulrich Weigel (until February 26, 2010)

- **Representatives of Publishers:**  
Barbara Krämer  
Gabriele Schulze-Spah  
Dr. Axel Sikorski

**Delegates of the Board of Supervisors:**

- **Composers:**  
Dr. Ralf Weigand

- **Lyricists:**  
Stefan Waggershäusen

- **Publishers:**  
Karl-Heinz Klemppow

- **Deputies:**  
Rolf Kosakowski  
Jo Plée  
Thomas Rebenburg

- **Delegate of the Board of Supervisors:**  
Prof. Manfred Schoof

- **Deputy:**  
Prof. Dr. Enjott Schneider

**Works Committee**

- **Representatives of Composers:**  
Moritz Eggert  
Prof. Martin Christoph Redel  
Alexander von Schlippenbach  
Hans-Peter Ströer



### Admission Committees

- **Lyricists:**  
Erich Offierowski  
Carl J. Schäuble († August 24, 2010)

- **Publishers:**  
Jan Rolf Müller

- **Composers:**  
Prof. Georg Katzer  
Prof. Bernd Wefelmeyer

- **Lyricists:**  
Robert Jung  
Erich Offierowski

- **Publishers:**  
Andreas Meurer  
Michael Wewiasinski

### Church Music Committee

Prof. Theo Brandmüller  
Dr. Johannes Graulich  
Prof. Dr. h. c. Robert M. Helmschrott  
Friedemann Strube

### Complaint Committee

- **Chairwoman:**  
Christel Hengst  
(former presiding judge of the  
Regional Superior Court of Berlin)

#### Representatives of Professional Groups:

- **Composers:**  
Hartmut Westphal

- **Lyricists:**  
Michael Arends

- **Publishers:**  
Heinz Kremer

- **Representatives of Lyricists:**  
Edith Jeske  
Robert Jung

- **Representatives of Publishers:**  
Stefan Conradi

- **Delegate of the Board of Supervisors:**  
Prof. Manfred Schoof

- **Deputy:**  
Prof. Lothar Voigtländer

- **Representative of Composers:**  
Helmut Zapf

- **Representatives of Lyricists:**  
Michael Reincke

- **Representatives of Publishers:**  
Winfried Jacobs

- **Specialist:**  
Prof. Dr. Enjott Schneider

- **Vice Chairman:**  
Dr. Jürgen Schmidt-Räntsch  
(former presiding judge of the  
Superior Court)

- **Deputy Representative of Composers:**  
Prof. Harald Banter

- **Deputy Representative of Lyricists:**  
Klaus Pelizaeus

- **Deputy Representative of Publishers:**  
Volker Landtag

- **Specialist:**  
Wolfgang Brandenstein

# GEMA Social Security Fund

- **Composer Department:**

Hartmut Westphal  
Ralf Hoyer  
Wilhelm Dieter Siebert (until June 15, 2010)  
Rainer Rubbert (as of June 16, 2010)

Managing Director and Curator

- **Lyricist Department:**

Erich Offierowski  
Wolfgang Brandenstein  
Klaus Pelizaeus

Managing Director and Curator

- **Publisher Department:**

Andreas Meurer  
Gabriele Schulze-Spahr  
Thomas Tietze

Managing Director and Curator

# International Organizations

**CISAC**  
Confédération Internationale  
des Sociétés d'Auteurs  
et Compositeurs, Paris

German Member of the  
Executive Board: Dr. Harald Heker

German Member of the International  
Council of Authors and Composers: Jörg Evers

German Member of the  
Legal Committee: Kilian Steiner

Member of the Common Information  
System Supervisory Board (CSB): Thimo Prziklang

**BIEM**  
Bureau International des Sociétés  
gérant les Droits d'Enregistrement  
et de Reproduction Mécanique, Paris

Honorary Presidents:  
Prof. Dr. Reinhold Kreile  
Prof. Dr. jur. h. c. Erich Schulze  
Prof. Dr. Hans Wilfred Sikorski

President of the Executive Board: Karl-Heinz Klemppow

Member of the Management Committee: Dr. Harald Heker

German Delegates for the  
General Assembly:  
Jörg Evers  
Frank Dostal



# Management Report

# Management Report

## 1. General conditions

### 1.1 Macroeconomic developments

In 2010, the German economy achieved the biggest increase in the gross domestic product (3.6 percent) since reunification. Strong foreign trade and payments, fiscal impulses, the favorable development in employment, as well as a constant increase in domestic demand made this positive development possible. Thus, the German economy once again could compensate for a large part of the decline in gross domestic product (minus 5 percent) as a result of the global financial and economic crisis.

The increase in domestic demand benefited from the increase in real disposable incomes of private households. Real disposable incomes of private households increased in 2010 at the strongest rate since 2001. This increase was supported also by the continuing positive development in the labor market and the ongoing very low inflation rate. At 1.1 percent, the inflation rate was distinctly below the annual rates of the past years.

The unemployment rate sank from 8.2 percent (previous year) to 7.7 percent in 2010. The number of jobs subject to social insurance contributions increased by approximately 320,000 persons to 40.8 million persons.

The interest level continued to be at a historically very low level. This was decisively influenced by the extremely low prime rate of the European Central Bank (1.0 percent).

### 1.2 Developments in the music industry

The change in personal music consumption continued in 2010 as well. Returns from recording sales continued to decline worldwide, whereas the German market, however, was very robust. Online business could, despite very strong growth, not compensate for this decline. File sharing, free-of-charge online streaming, and the competition from other media are the essential reasons for the abovementioned developments in the recording market. The use of live music, on the other hand, developed in a very stable manner.

In principle, the commercial use of music is at a very high level. This continues to be one of the main components of television and radio use. The partially changing use of media, in particular through the Internet, has also not fundamentally changed the important position of music for commercial success.

### 1.3 Legal conditions

#### CISAC proceedings

On July 16, 2008, the European Commission issued an injunction in the cartel proceedings COMP/C2/38.698 – CISAC („CISAC proceedings“). In the injunction, the Commission accuses GEMA and 23 other European collecting societies under antitrust laws of in particular a coordination of actions in regard to territorial limitations in joint contracts for the online, satellite transmission, and cable retransmission areas. Details were already reported in the status reports for the business years 2008 and 2009. Nearly all of the affected collecting societies have filed a complaint with the court of the European Union (formally known as the European Court of First Instance) against this decision by the European Commission. An appointment for the oral negotiations regarding GEMA's legal challenge has not been set yet.

#### EU directives for collecting societies

In order to establish a secure and uniform legal foundation, in particular for the cross-border activities of the collecting societies, GEMA and seven other European collecting societies demanded in a letter dated January 8, 2010 that the basic outlines of administration laws be harmonized as part of an E.U. directive. The newly appointed European Commission has included this in its work program as a project to create a framework of guidelines for collecting societies, and is currently working under the auspices of the domestic market directorate on the impact assessment of such an undertaking. The details and scope of the intended regulation are not yet known.

The European Commission, in regard to organizing the conditions for the pan-European licensing of online copyrights on works of music, has confirmed the need for regulation.

#### Status of the considerations on a so-called „third basket“ in copyright law reform

With the consultation paper „Assessment of additional legislative need for action in the area of copyrights“ dated February 19, 2009, the German Ministry of Justice (BMJ) conceded the possibility to the participating parties to take a written position on the possible legislative need for action in the area of copyrights. After the evaluation of the position statements the ministry received, the BMJ published invitations to the following public hearings in a notice dated May 31, 2010:

- A hearing on June 28, 2010 on the subject of „ancillary copyrights for publishers.“
- A hearing on July 13, 2010 on the subjects of „Open Access – open access to scientific information“; cable rebroadcasting (Paragraph 20b of UrhG, the German Copyright Act); the so-called „bar and pub law“ (Paragraph 87, Clause 1, Subparagraph 3 of the German Copyright Act).
- A hearing on September 27, 2010 on the subject of „collective administration of rights“ (the need to make adjustments in the area of the regulation of claims for compensation for personal reproductions; safeguarding the payment of legal

claims for compensation; transparency of the collecting societies; participation of television networks and broadcasters in the blank media levy).

- A hearing on October 13, 2010 on the subjects of „orphaned works“; „annex reproduction competence in Paragraph 52b of the German Copyright Act“; „the change in Paragraph 45 of the German Copyright Act on the installation of an electronic databank of non-patented literature at the German Patent and Trade Mark Office“; „the change in the licensing conditions for broadcast companies.“

After the hearings were held, there were no further measures on the part of the BMJ or the legislature.

GEMA and the associated collecting societies in the Central Organization for Private Re-recording Rights Munich (ZPÜ: Zentralstelle für private Überspielungsrechte) once again summed up the required changes in the area of copyright law and copyrights administration law in a position paper in August 2010, and sent this position paper to the BMJ.

## 2. Course of business of GEMA

### 2.1 Profit situation

The total revenue of GEMA in the business year 2010 amounted to € 862.961 million, and therefore was above the level of 2009 by € 21.906 million, or 2.6 percent.

	2010	2009	Difference
	in tsd. €	in tsd. €	in tsd. €
Field offices (regional offices)	295,102	289,970	+ 5,132
Office of reproductions & foreign countries (reproductions)	161,396	164,350	- 2,954
Office of reproductions & foreign countries (abroad)	65,527	65,399	+ 128
Office of broadcasts & online (broadcast)	257,125	283,028	- 25,903
Office of broadcasts & online (online)	13,321	10,618	+ 2,703
Office of collection services (ZPÜ & ZBT)*	49,393	5,819	+ 43,574
<b>Revenue from administration rights and compensation claims</b>	<b>841,864</b>	<b>819,184</b>	<b>+ 22,680</b>
Other revenue (interest, etc.)	21,097	21,871	- 774
	<b>862,961</b>	<b>841,055</b>	<b>+ 21,906</b>

\* ZPÜ: Zentralstelle für private Überspielungsrechte (Central Organization for Private Re-recording Rights Munich).  
ZBT: Zentralstelle Bibliothekstantieme (Central Organization for Library Royalties).

Overall, the increase in revenues in comparison to the previous year was due for the most part to the positive development in the area of collecting services (ZPÜ & ZBT). This development has to do to a large extent with the PC levies for the years from 2002 to 2007, which could be collected after the agreement between the ZPÜ and the members of the German Association of Computer Manufacturers e. V. (Bundesverband der Computer Hersteller).

In the area of the regional offices, there was an increase in the revenues in comparison to 2009 to € 295.102 million (plus € 5.132 million). The reasons for this are the additional revenues from the FIFA World Cup and also the recently granted collecting mandate of VG Media.

The developments in the income of the regional office „reproductions & foreign countries“ are marked by a decline in revenue in the area of reproductions in the amount of € 2.954 million. This change was a result for the most part due to the decline in the recording market. In the area of foreign countries, on the other hand, there was a slight increase of € 0.128 million

The office of broadcasts & online, on the other hand, due to the payment of arrears by the cable television companies for 2007 and 2008 that were paid during the business year 2009, showed a decrease in revenues in the broadcast area (minus € 25.903 million). In the online area, on the other hand, there was an increase in revenue of 25.5 percent (plus € 2.703 million) compared to the previous year.

**Total revenues from the exploitation of copyrighted right of use and from claims of compensation** were € 841.864 million in the reporting year, of which € 2.184 million was from license replacement compensations. The cost-replacement part of the compensations in the amount of € 2.211 million is declared under „other revenue.“ The returns in 2010, € 841.864 million, show an increase of € 22.680 million compared to the previous year's returns of € 819.184 million (of which € 2.892 million is from license replacement compensations).

The revenue in detail:

	2010	2009	Difference
	in tsd. €	in tsd. €	in tsd. €
<b>Income from copyright licenses and royalty entitlements</b>			
a) Income from performance, presentation, broadcast and playback rights	411,140	408,697	+ 2,443
<i>compensation in lieu of licenses</i>	2,184	2,892	- 708
b) Income from reproduction rights	185,747	180,752	+ 4,995
c) Income from royalty entitlements	53,766	10,827	+ 42,939
<i>– from rental and lending rights (according to § 27, Copyright Act)</i>	4,668	5,427	- 759
<i>– from personal copying (according to § 54, Copyright Act)</i>	49,098	5,400	+ 43,698
d) Income from Mandates for Collection	191,211	218,908	- 27,697
<i>– for other collecting societies</i>	120,213	146,374	- 26,161
<i>– from central licensing of sound and audio-visual storage media (sales territory foreign countries)</i>	70,998	72,534	- 1,536
	<b>841,864</b>	<b>819,184</b>	<b>+ 22,680</b>

The increase in returns from the administration of performance, presentation, broadcast, and playback rights in the amount of € 411.140 million (previous year: € 408.697 million) resulted primarily from the increase in returns from the broadcasting area. On the other hand, there was a decline in the returns for music use in cable rebroadcasting rights. These amounted to € 14.750 million in 2010 (previous year: € 17.151 million). In the previous year, due to the agreement with the regional cable companies, payments of arrears were collected for past years.

The returns for 2010 that came from GEMA's function as a collecting agency for other copyright holders were € 56.832 million in total (previous year: € 87.983 million). In essence, these have to do with copyright holders represented by the collecting societies VG WORT; GVL; VG BILD-KUNST; AGICOA; VFF; VGF; and GÜFA.

The total amount of expenses for GEMA in the business year 2010 decreased by 0.7 percent in comparison to the previous year, to the amount of € 127.072 million. The cost rate could be distinctly improved in the business year, from 15.2 percent in the previous year to 14.7 percent.

**Expenses for human resources and material in the last two years looked like this:**

	2010	2009
	in tsd. €	in tsd. €
<b>Expenditures</b>		
Human Resources	67,788	73,414
Materials	59,284	54,590
<b>Total</b>	<b>127,072</b>	<b>128,004</b>

The decline in human resources expenses in the business year resulted from the deferred liability from the previous year for the merger of the regional offices.

The increase in material expenses was primarily due to the increase in expenses for IT, higher costs for buildings and property due to restorations, and

one-time expenses for temporary workers as part of the merging of the regional offices.

**2.2 Net asset position and financial status**

The assets of the society consist for the most part of liquid assets in the amount of € 728.093 million (86 percent; previous year 90 percent); a large portion of this are liquid assets, fixed deposits, and bonds in the working capital (€ 465.245 million; previous year: € 452.046 million).

The level of the inventory of receivables continues to increase (€ 262.211 million; previous year € 260.767 million). This is a result mainly due to the increase in the receivables from online licensing.

The fixed assets in the reporting year amounted to € 114.898 million (previous year € 75.161 million); the increase resulted from the reclassification of some of the bonds in the liquid assets into long-term receivables in the amount of € 39.980 million, as well as from the purchase of a 25 percent share in iSYS Software GmbH, Munich.

The nontangible fixed assets reflected GEMA's exclusive development activities in the area of software. The most important software activations had to do with the LION system (LION = Licensing of Online Use) in the amount of € 2.199 million; the research system for members' calculations in the amount of € 1.637 million; and the MAX system (MAX = Matching Tool and Central Search Index) in the amount of € 1.020 million.

The financial situation of the society is characterized by the accruals for distribution in the amount of € 600.210 million (previous year: € 604.533 million). The accruals for distribution are completely covered by short-term fixed assets. The society does not possess any interest-bearing outside capital.

The remaining accruals are primarily the pension accruals in the amount of € 61.292 million (previous year: € 61.232 million), and the miscellaneous accruals in the amount of € 70.695 million (previous year: € 61.306 million).

Compared to the previous year, the liabilities increased by € 12.486 million to € 72.397 million.



The increase resulted from higher accounts payable to GVL, VG WORT, ZWF and VG Media from collections for other societies (plus € 3.275 million), as well as payments to the German Treasury for monetary transactions (plus € 5.358 million).

### **2.3 Human resources**

In the business year 2010, GEMA had 1,068 employees (previous year: 1,111 employees). The fluctuation has not changed substantially over the last three years.

### **3. Events after the reporting period**

Events that would have been of special significance for the evaluation of the assets, financial, and profit situation of GEMA did not occur after the end of the business year and before the Executive Board meeting when the annual statement of accounts was compiled.

### **4. Risk disclosure statement**

The essential opportunities and risks that could have considerable effects on the assets, financial, and profit situation of GEMA are depicted in the following risk report. It comprises the four fields of risk: finances, business procedures, industries, and legal issues.

#### **4.1 Finances**

For GEMA there are opportunities as well as risks through a change in the interest level. The opportunities lie in particular with higher interest returns in the future by an increase in the interest level. On the other hand, the risks are that the interest level falls and thus the future interest returns decline, even if the interest level increases due to a decrease in the market value of the fixed interest-bearing bonds. This risk will be limited with a long-term asset strategy as well as with a specific duration.

Additional risks in the financial area for GEMA exist in the possibility of a shortfall of issuers of securities. GEMA attempts to keep the risk as minimal as possible with a very conservative asset strategy, almost exclusively in gilt-edged financial assets, and a precise selection and diversification, and a continuous monitoring of the issuers.

In addition, there is for GEMA a risk in the shortfall of receivables, in case customers can no longer meet their financial obligations when they are due. In order to effectively control the risks involved with open receivables, GEMA has set up a monitoring process. Along with intensive debt collection procedures, the larger positions are monitored on a day-to-day basis.

#### **4.2 Business procedures**

GEMA comprehends the optimizing and control of the business procedures as a central and constant task. The risk is minimized 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 procedures is tested on a regular basis by an independent internal review.

The business procedures of GEMA, like every modern service company, are determined and supported to a great extent by information technology. However, risks are also created along with the resulting gain in efficiency. The malfunction of the systems and the resulting adverse effects on the business procedures create risks of unauthorized access, or the loss or deletion/manipulation of company information. With the use of modern hardware technologies and software technologies, the continuous availability of data and the protection from unauthorized access is guaranteed. Regular data safeguarding minimizes the risk of a considerable loss of data. A second server with data storage,

installed at a distant and separate location and permanently synchronized, guarantees a backup in a catastrophic case. The potential threat from the Internet to the company's security and its systems is countered by security measures (firewalls) employing state-of-the-art technology.

### 4.3 Industries

GEMA is dependent on developments in the music industry. Along with the developments in the recording and online markets, this also includes developments in commercially used live music. Risks result in particular from the continuing weakening of the recording market and the lack of an effective compensation through the online market. Opportunities for GEMA could, however, also be created by the repression of online piracy and the resulting stable increase in the revenues. Opportunities and risks from the commercial use of live music result in particular from the popularity of large tours and large special events as well as the numbers of tickets sold for these tours and events.

Opportunities and risks for GEMA could come from the transfer of publishers' new repertoires or the withdrawal of publishers' existing repertoires. Due to its position as one of the largest European collecting societies and its financial strength, there is no acute risk for GEMA from this.

### 4.4 Legal situation

The legal environment presents a lasting risk and also a potential opportunity. In addition to the changes in laws by the legislature, risks can occur through groundbreaking court decisions. GEMA actively monitors every relevant development and is constantly in contact with the responsible governmental offices in order to guarantee the best possible consideration of its interests. The most important proceedings in front of the European Court of Justice, the Federal Constitutional Court, as well as the Federal Court of Justice are detailed in the following section.

#### 4.4.1 European Court of Justice

##### a) Interpretation of the term „just settlement“ – Padawan SL ./ SGAE

With its decision on October 21, 2010, the European Court of Justice (EuGH) decreed in the legal matter C-467/08, Padawan SL ./ SGAE that the indiscriminate charging of fees for personal copies of blank CDs and other digital media, independent of their personal or commercial use, is not in agreement with EU copyright law. The preliminary ruling was a lawsuit between a Spanish collecting society and a Spanish company that markets blank CDs and DVDs.

In the past, the collecting societies associated in the ZPÜ have already taken into account, with the agreement for compensation as part of joint contracts as well as in the compilation of standard rates, that products requiring compensation are used for personal reproductions differently. The decision is interpreted by the collecting societies of the affected manufacturers and importers to the effect that devices and storage media delivered to a commercial customer are not to be charged a compensation fee in accordance with Paragraph 54, Clause 1 of the German Copyright Act. This would, however, in the end merely lead to – instead of the current compensation fee based on the product type – the creation of a higher compensation fee for products for personal use and a lower compensation fee for products for commercial use; the total volume of compensation fees would not be changed by this.

##### b) Playback of television and radio programs in hotel rooms – Organismom Sillogikis Diacheirisis Dimiourgon Theatrikon kai Optikoakoustikon Ergon ./ Divani Acropolis AE

With its decree on March 10, 2010, legal matter C-136/09, the European Court of Justice (EuGH) decided that the right of public playback (editor's note: in the broadcast form) is already used when a hotel owner installs television sets in the hotel's rooms and connects the television sets to the

hotel's central antenna. Based on this decision, is it possible for collecting societies to demand fees for the playback in hotel rooms.

#### **4.4.2 Federal Constitutional Court**

##### **a) Copyright levies for printers and plotters**

With its decree on August 30, 2010 (file number 1 BvR 1631/08), the Federal Constitutional Court (BVerfG) reversed a decision of the Federal Court of Justice (decision on December 6, 2007, file number I ZR 94/05) on copyright levies for printers and plotters and remitted it. The Federal Court of Justice had rejected a copyright levy for such devices in accordance with Paragraph 54 of the German Copyright Act (older version).

In the subsequent period, there were three additional decisions by the Federal Constitutional Court (decisions on December 21, 2010, file number 1 BvR 2742/08, 1 BvR 2760/08, 1 BvR 506/09) in favor of the collecting society, which reversed and remitted corresponding decisions of the Federal Court of Justice that had rejected a copyright levy for personal computers, printers, and plotters in accordance with the old legal position.

##### **b) Data retention**

The Federal Constitutional Court declared the legal regulations on data retention to be unconstitutional in a decision on March 2, 2010 (file number 1 BvR 256/08, 1 BvR 263/08, 1 BvR 586/08).

This decision is important for the members of GEMA, as copyright holders are dependent upon the availability of data for the prosecution of copyright infringements on the Internet.

#### **4.4.3 Federal Court of Justice**

##### **a) Ring tones for mobile telephones, part two**

Following a decision of the Federal Court of Justice (judgment on March 11, 2010, file number I ZR 18/08), a two-step licensing procedure in connection with the granting of use rights for ring tones, as provided for in the current authorization contract, is to be decided upon in agreement with the general fundamentals of civil and copyright law.

##### **b) Joint contract for music download services**

With its decision on October 14, 2010, file number I ZR 11/08, the Federal Court of Justice confirmed a decision granted in favor of GEMA in 2007 by the Higher Regional Court of Munich regarding the obligation to conclude a joint contract.

## **5. Forecasting report**

### **5.1 Forecast for the macroeconomic development**

In its annual economic report 2011, the German government forecasts for the following year a continuation of the economic recovery, with, however, a somewhat lower growth than in 2010 due to the somewhat weaker impulses in the

global economy. The German government reckons with an increase of 2.3 percent in the real gross domestic product. Risks for the recovery could develop, however, from global economic developments, which, as an export country, the German economy is extremely dependent on. The weak economic developments in particular in Japan, the U.S., and in parts of the euro zone have corresponding risks.

The forecast for the year 2011 calls for a decline in the unemployment rate by 0.7 percent to 7.0 percent. This would result in a drop below the three million mark in 2011. The German government expects an increase of 1.6 percent in personal consumption in 2011.

An increase in the interest level is forecast for 2011, due to an anticipated inflation rate of over 2.0 percent. It is expected that the European Central Bank will raise the key interest rate by 0.25 percent over the course of the year, with corresponding effects on the general interest level.

## **5.2 Forecast for the music industry**

In the music industry, it is expected that the trend of recent years will continue, with an ongoing decline in the revenues and sales of recordings and good prospects for live music.

In addition, the increasing amount of music use in the online area will lead to a still insufficient authors' share in the economic results. GEMA is attempting to assert the rights of its members to receive an appropriate compensation in this area through a number of negotiations, arbitration proceedings, and legal proceedings.

## **5.3 Forecast for the business development of GEMA**

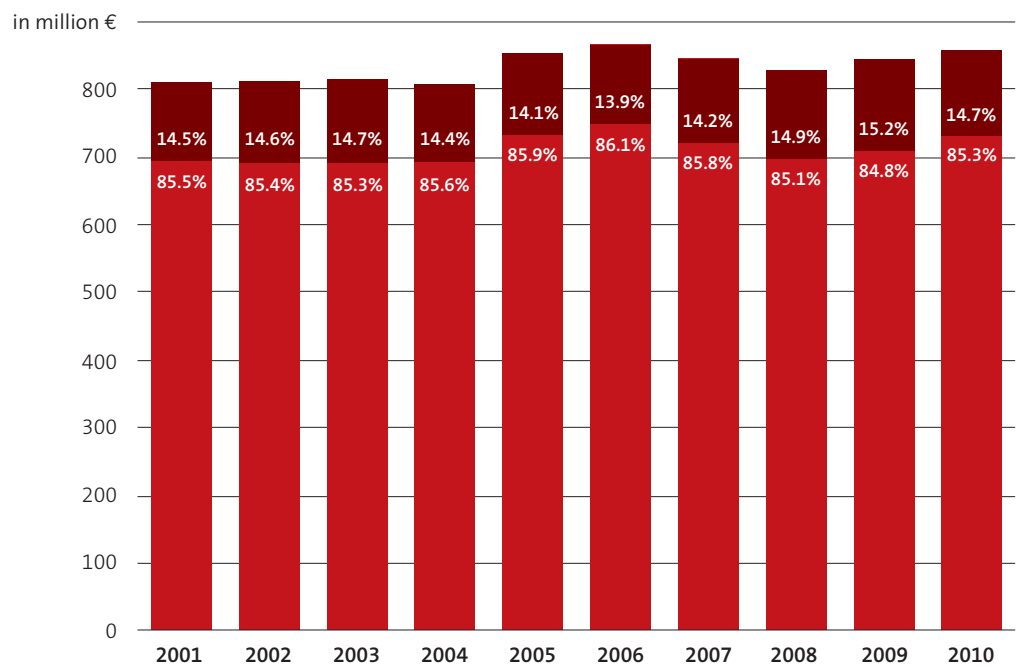
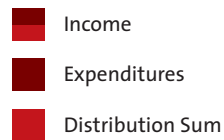
GEMA expects a slight decline in revenues for the business year 2011. In particular, the revenues from the area of domestic and foreign recordings, as well as the fees collected by ZPÜ, may continue to show a decline. GEMA expects a stable development in 2011 in all of the other areas of revenue, as well as in the area of expenses.

The background features a vibrant gradient from yellow to red. A prominent lens flare is visible on the left side, and a circular metallic object, possibly a lens or a camera component, is shown in the upper right corner.

# Basic Data of 2010

# Income, Expenditures – Development and Structure

## Distribution of the Income in Expenditures and Distribution Sum



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	in million €	in million €	in million €	in million €	in million €	in million €	in million €	in million €	in million €	in million €
Income	810.5	812.5	813.6	806.2	852.2	874.4	849.6	823.0	841.0	863.0
Expenditures	117.9	118.7	119.4	116.0	120.3	121.7	120.3	122.4	128.0	127.1
Distribution Sum	692.6	693.8	694.2	690.2	731.9	752.7	729.3	700.6	713.0	735.9
Cost Rate	14.5 %	14.6 %	14.7 %	14.4 %	14.1 %	13.9 %	14.2 %	14.9 %	15.2 %	14.7 %

# Income 2010

**Radio and Television** **30.31 %**  
in tsd. € **261,587**

[a] Radio and Television  
Broadcasting and Cable  
Rebroadcast Rights,  
Reproduction Rights in tsd. € 23.30 %  
201,088

[b] Mandates for Collection  
Redirecting to Cable in tsd. € 6.58 %  
56,832

Mandates for Collection Regional  
Television Commercials in tsd. € 0.30 %  
2,560

Commercials Mandates for  
Collection, Europe I in tsd. € 0.13 %  
1,107

**Mechanical Music** **14.50 %**  
in tsd. € **125,154**

**Live Music** **9.64 %**  
in tsd. € **83,202**

**Foreign Countries** **7.59 %**  
in tsd. € **65,526**

**Soundtracks** **0.95 %**  
in tsd. € **8,221**

**Other Income** **2.45 %**  
in tsd. € **21,097**

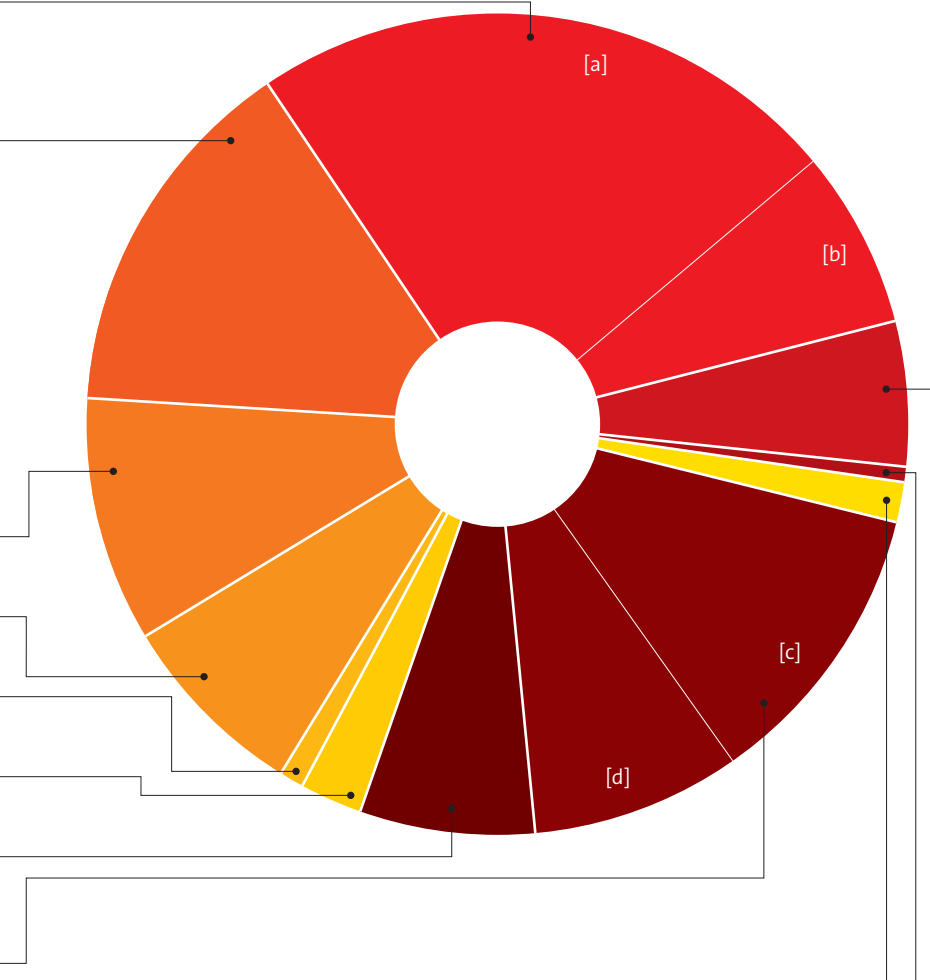
**Mandates for Collection Other  
Collecting Societies** **6.92 %**  
in tsd. € **59,714**

**Audio-Visual and Sound Storage  
Media Industry (in total)** **19.76 %**  
in tsd. € **170,499**

[c] PHO VR 9.64 %  
in tsd. € 83,153  
BT VR 1.89 %  
in tsd. € 16,348

[d] Central Licensing Sales Territory 8.23 %  
Foreign Countries in tsd. € 70,998

**Online** **1.65 %**  
in tsd. € **14,195**



**Royalty Entitlements according to  
Paragraph 27, Copyright Act** **0.54 %**  
in tsd. € **4,668**

Rentals and Lending  
Audio in tsd. € 0.00 %  
7

Rentals and Lending  
Video in tsd. € 0.51 %  
4,366

Library royalties  
in tsd. € 0.03 %  
295

**Royalty Entitlements according to  
Paragraph 54, Copyright Act** **5.69 %**  
in tsd. € **49,098**

Private Copying  
Audio in tsd. € 2.11 %  
18,241

Private Copying  
Video in tsd. € 3.58 %  
30,857

**Sum Total**

in thousand € **862,961**

# Expenditures 2010

**Staff** **53.34 %**  
in tsd. € **67,788**

[a] Wages and Salaries in tsd. € 51,176

[b] Pension Plans in tsd. € 7,194

[c] Social Programs in tsd. € 9,418

**Taxes** **0.28 %**  
in tsd. € **351**

**Depreciations** **6.08 %**  
in tsd. € **7,724**

**Other Expenditures** **40.30 %**  
in tsd. € **51,209**

[d] Outsourced EDP in tsd. € 11,263

[e] Restructuring Measures in tsd. € 1,502

[f] Information and Communication Expenditures in tsd. € 7,276

[g] Office Devices in tsd. € 2,173

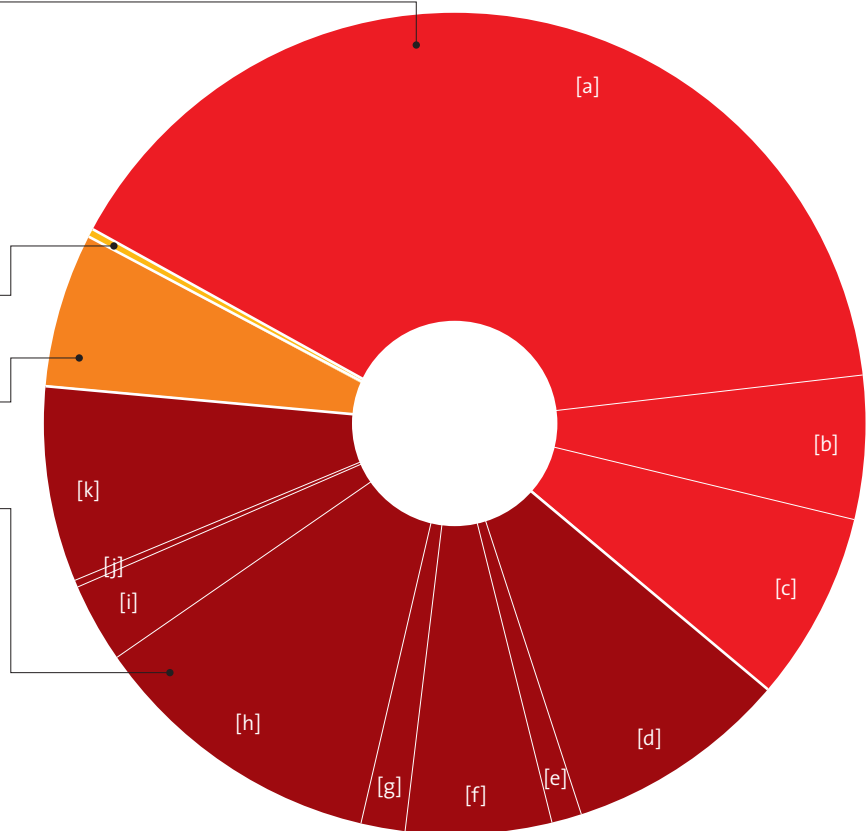
[h] Incidental Costs from Collection Business in tsd. € 14,850

[i] Administration in tsd. € 4,107

[j] Financial Expenses in tsd. € 183

[k] Miscellaneous in tsd. € 9,855

**Sum Total** in thousand € **127,072**





# Distribution to Members and Other Rights Owners

In accordance with its statutes, GEMA is entrusted with the trustee administration of copyrights and is not allowed to make a profit. All of the income is distributed to its members and other rights owners after expenses are paid. The distribution sum is calculated as such:

<b>Income</b>	in tsd. €	<b>862,961</b>
<b>./. Expenditures</b>	in tsd. €	<b>127,072</b>
		<hr/>
	in tsd. €	<b>735,889</b>

This distribution sum is assigned to the distribution reserves. The breakdown for the individual sections is as follows:

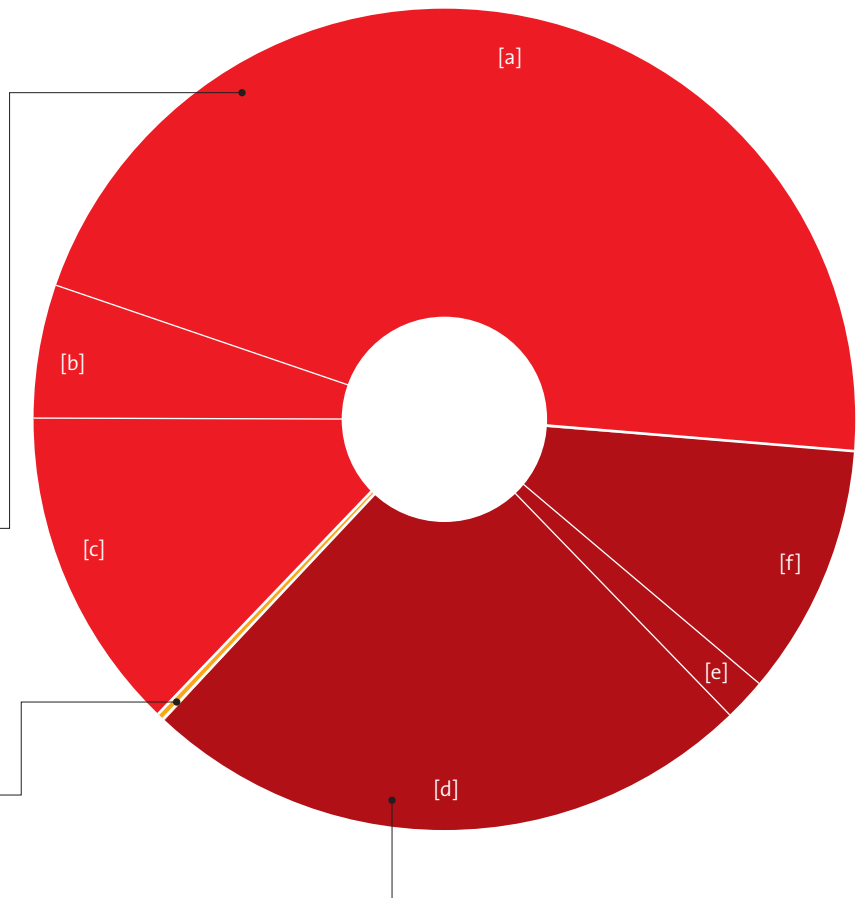
<b>Performance, presentation, broadcast and playback rights</b>		<b>64,09 %</b>
	in tsd. €	<b>471,601</b>

[a] Germany	in tsd. €	320,268
[b] Foreign Countries	in tsd. €	46,118
[c] Mandates for Collection	in tsd. €	105,215

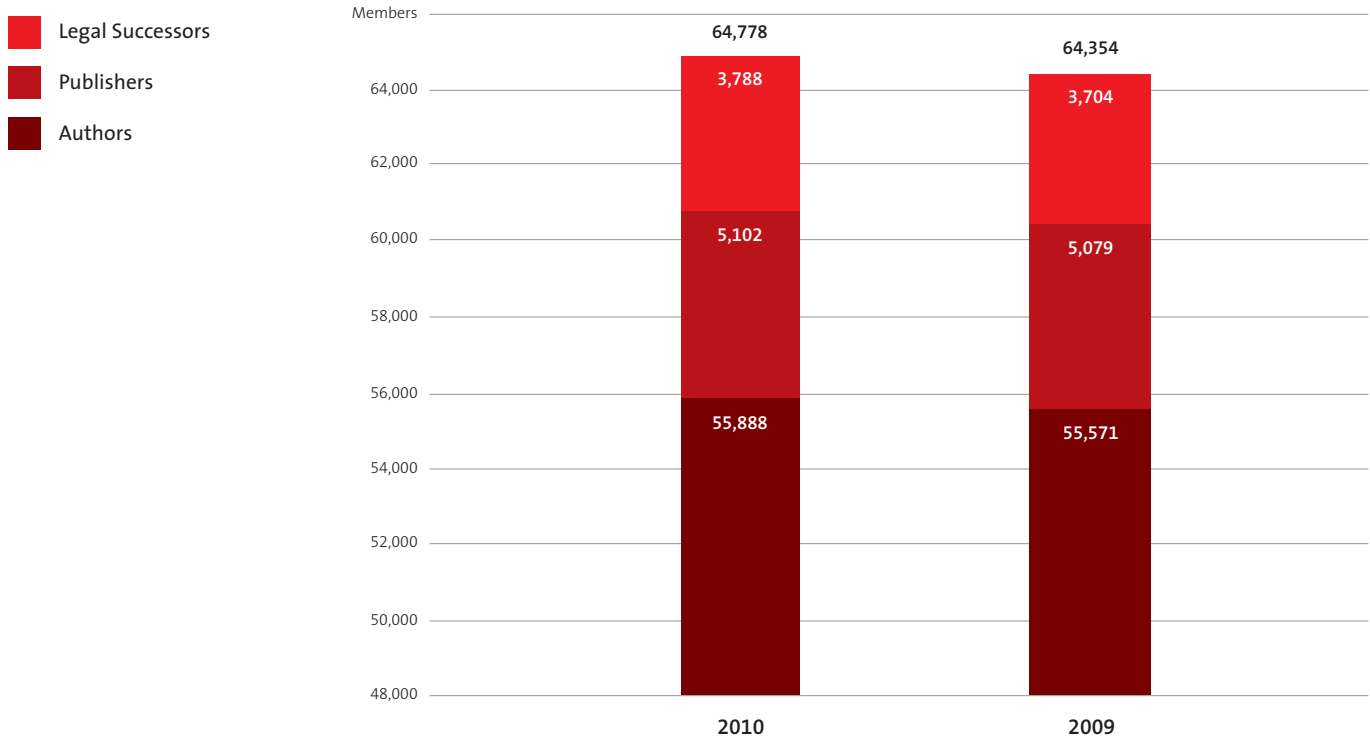
<b>Europa I</b>		<b>0,15 %</b>
	in tsd. €	<b>1,108</b>

<b>Reproduction Rights</b>		<b>35,76 %</b>
	in tsd. €	<b>263,180</b>

[d] Germany	in tsd. €	172,262
[e] Foreign Countries	in tsd. €	17,019
[f] Power of Attorney		
Collection Services	in tsd. €	73,899
- from foreign countries	in tsd. €	70,849
- from Germany	in tsd. €	3,050

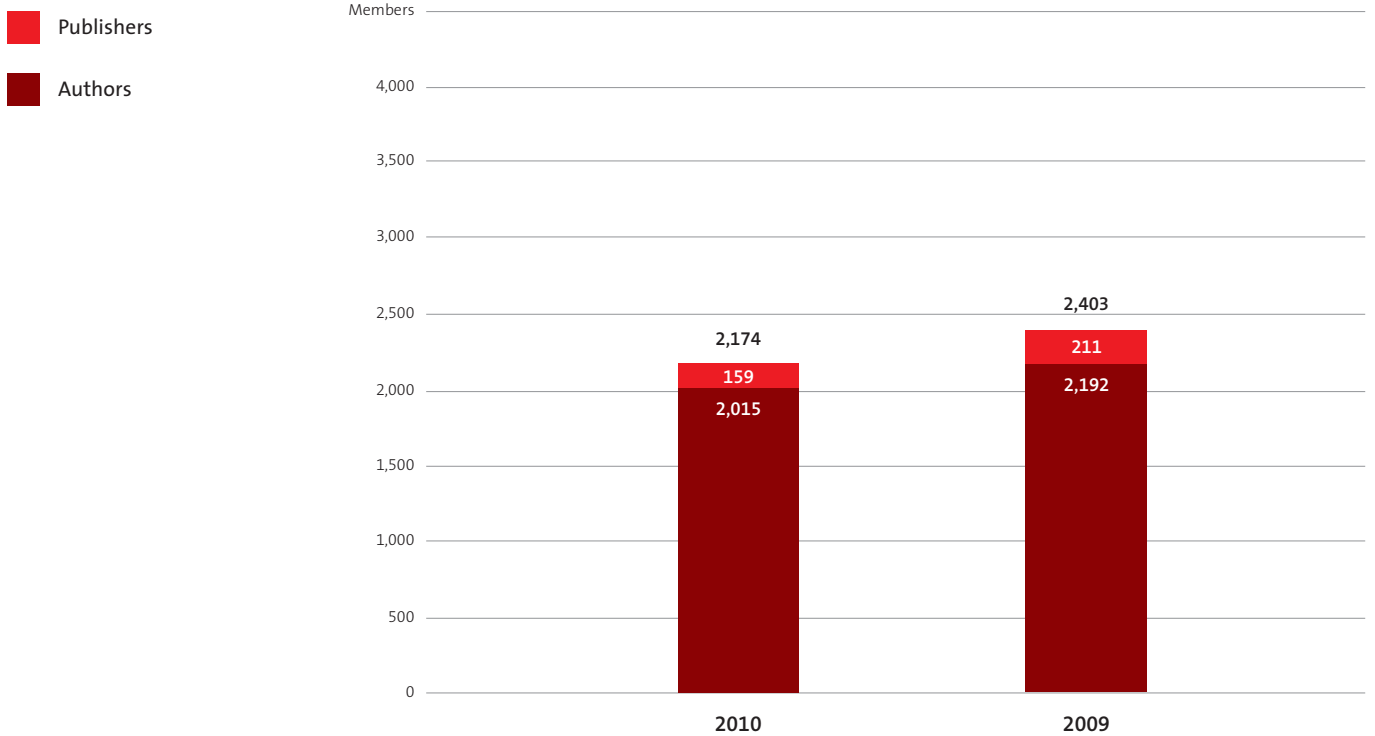


# Development and Structure of the Membership



Members according to group	31.12.2010				31.12.2009			
	Regular Members	Special Members	Associated Members	Total	Regular Members	Special Members	Associated Members	Total
Authors								
- including composers	2,382	6,166	46,847	55,888	2,329	6,127	46,627	55,571
- including lyricists	493				488			
Publishers	506	263	4,333	5,102	492	272	4,315	5,079
Legal Successors	33	6	3,749	3,788	34	7	3,663	3,704
<b>Total</b>	<b>3,414</b>	<b>6,435</b>	<b>54,929</b>	<b>64,778</b>	<b>3,343</b>	<b>6,406</b>	<b>54,605</b>	<b>64,354</b>

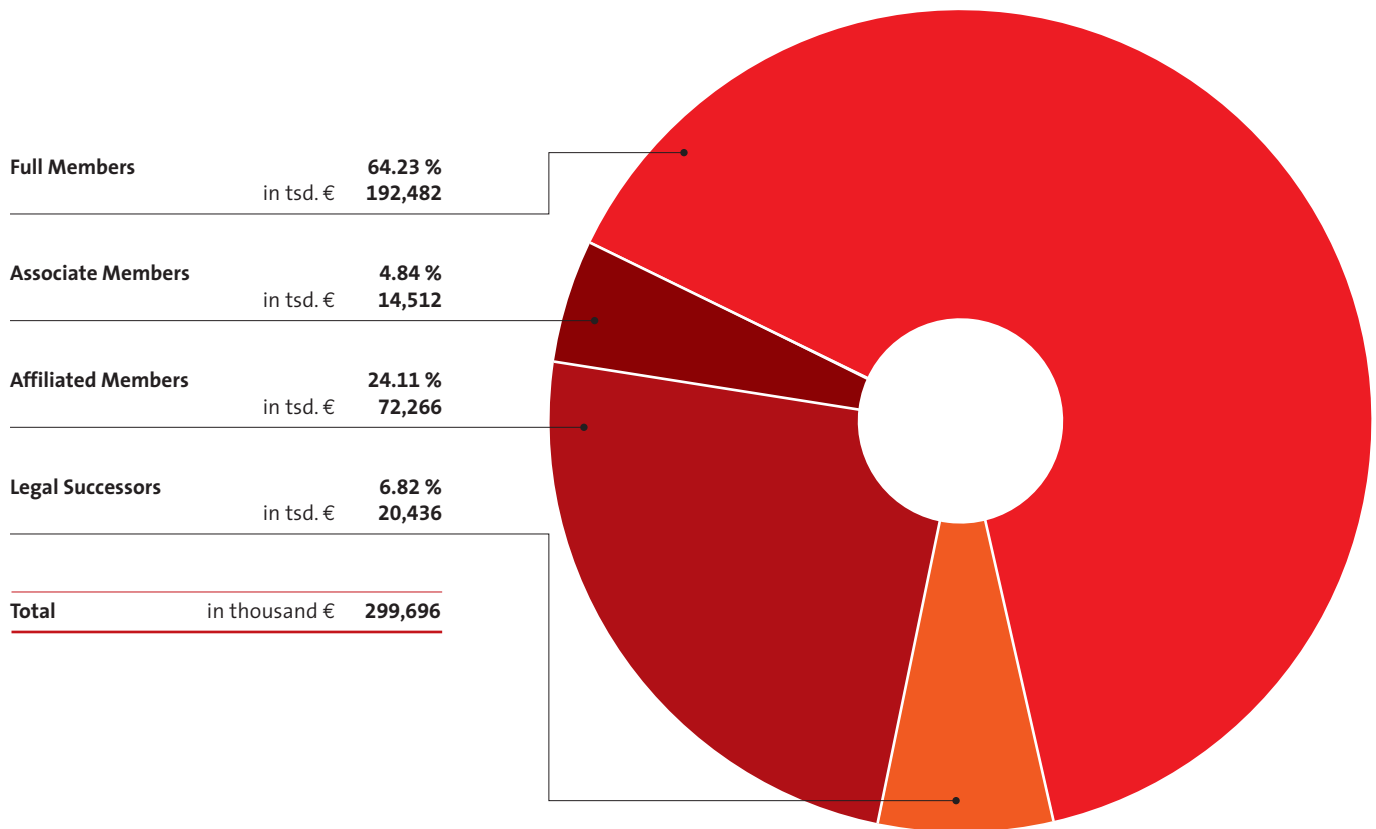
# New Admissions of Members



	2010	2009
Authors (Composers and Lyricists)	2,015	2,192
Publishers	159	211
<b>Total</b>	<b>2,174</b>	<b>2,403</b>

Compared to the previous year, the total number of members increased by 424, with 2,174 new admissions in the year 2010. The difference is the result of cancellations of memberships and early withdrawal of members.

# Participation of the GEMA Members in 2010 in the Results from the Year 2009



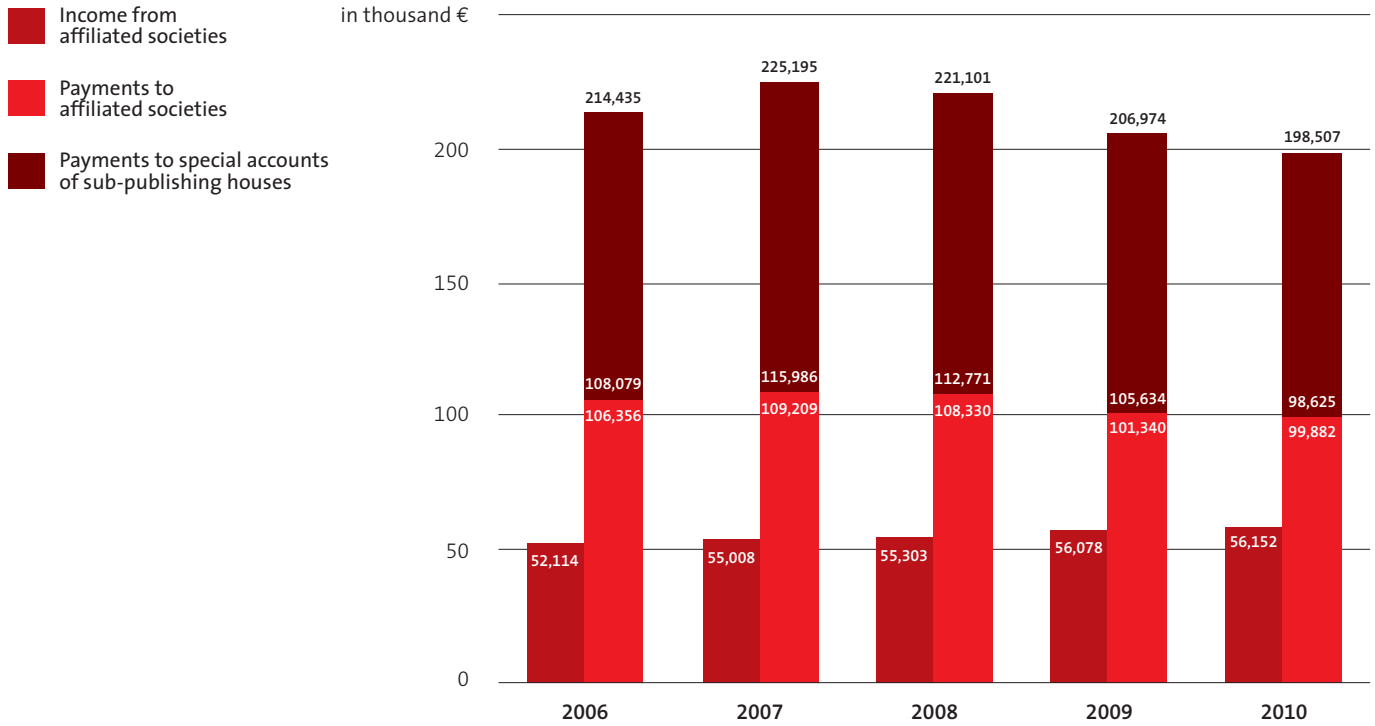
## Social and Cultural Payments

For the business year 2009 a total of € 44.9 million (previous year: € 61.7 million) was set aside for distribution to social and cultural programs, half of which, namely € 27.3 million (previous year: € 29.0 million), came from the 10% deduction, and the other half came from interest income, administration fees, and other undistributable income from the business year 2009. In accordance with Paragraph 1, Subparagraph 4a of the Distribution Plan, the Board of Supervisors and Executive Board allocated the funds requested

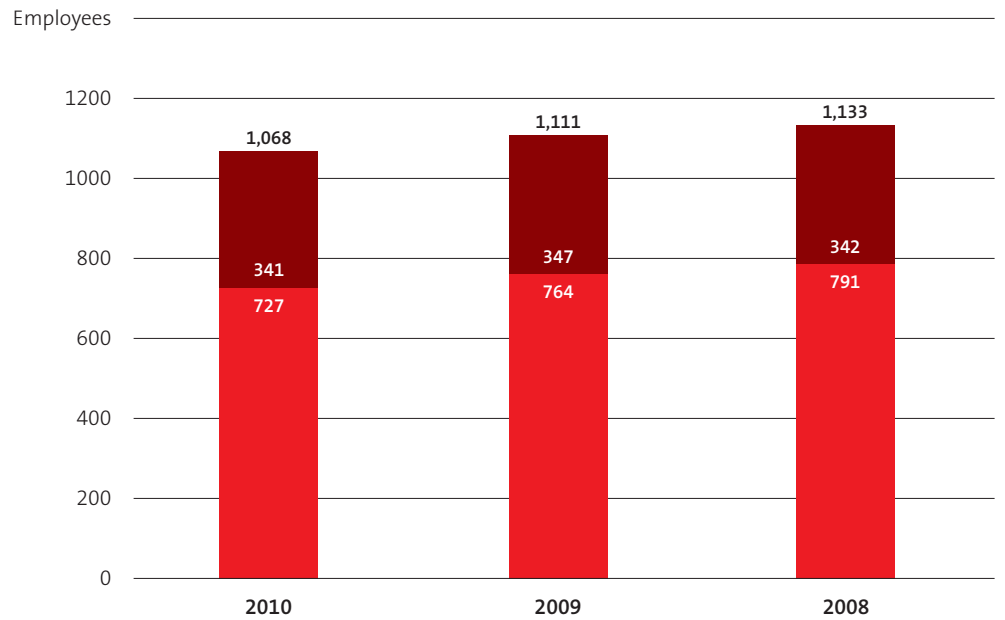
by the Social Security Fund in the amount of € 7.3 million (previous year: € 7.2 million). From the remaining amount of € 37.6 million (previous year: € 54.5 million), € 11.3 million (previous year: € 16.4 million) was allocated to the rating procedures in the category serious music; € 22.1 million (previous year: € 32.0 million) for the rating procedures in the category light music; € 1.6 million (previous year: € 2.4 million) assessment procedures of the arrangers; and € 2.6 million (previous year: € 3.7 million) for the pension plans.

# Participation of foreign Countries

(inasmuch as payments to affiliated companies in foreign countries and sub-publishing houses are affected)



# Staff



	31.12.2010	31.12.2009	31.12.2008
Employees under contract for an unlimited period			
Fulltime employees: Female	463	490	531
Male	259	268	271
	722	758	802
Part-time employees	154	155	144
Part-time employees – semi-retired	32	39	25
<b>Total</b>	908	952	971
Trainees	43	50	54
Temporary employees	117	109	108
<b>Total number of employees</b>	<b>1,068</b>	<b>1,111</b>	<b>1,133</b>

For educational and training purposes, 524 GEMA employees attended special seminars and other workrelated training sessions. 40 employees celebrated their 10 year anniversary, 20 their 25-year anniversary and 5 their 35-year anniversary with the company.



# Annual Financial Statements



# Profit and Loss Statement for the period of January 1 – December 31, 2010

	Appendix	2010	2009
	Nr.	in thousand €	in thousand €
1. Income from licenses and royalty entitlements <i>includes income from mandates for collection of tsd. € 191,211 (previous year: tsd. € 218,908)</i>	23	841,864	819,184
2. Other operational income		14,813	9,953
3. Human resources expenses <i>includes</i> <i>a) Wages and salaries</i> <i>b) Social benefits and expenses for social security plans and support programs</i> <i>includes pension plan payments of tsd. € 7,194 (previous year: tsd. € 7,724)</i>	24	-67,788	-73,414
		-51,176	-55,581
		-16,612	-17,833
4. Depreciations on immaterial assets in the fixed assets and tangible assets		-7,724	-6,387
5. Other operational expenses	25	-51,191	-47,288
6. Income from bonds in the liquid assets		1,678	2,035
7. Other interest income and similar income		4,606	9,883
8. Interest and similar expenditures	25	-18	-17
9. Results from usual business activities		736,240	713,949
10. Taxes from income and revenue		-0	-563
11. Other taxes		-351	-335
12. Assignments to distribution reserve funds	19	-735,889	-713,051
13. Surplus/Deficit for the year		0	0

# Balance Sheet as of December 31, 2010 (77th business year)

<b>Assets</b>			As of Dec. 31, 2010	As of Dec. 31, 2009
		in thousand €	in thousand €	in thousand €
A. Fixed Assets	II. Immaterial Assets 1. Franchises, commercial trademarks, similar rights and values, as well as licenses on such values and rights 2. Deposits paid  II. Fixed Assets 1. Properties, property-like rights and buildings, including buildings on property not owned by GEMA 2. Other facilities, office and business equipment 3. Deposits paid and construction in progress  III. Financial Assets 1. Shares in related companies 2. Holdings 3. Securities, stocks and bonds in the fixed assets	15,950 3,899  48,284 2,229 543  228 3,785 39,980	19,849   51,056   43,993   <b>114,898</b>	13,385 7,740  48,630 2,874 0  225 2,307 0   <b>75,161</b>
B. Liquid Assets	I. Loans to members  II. Claims 1. Prepayments from members 2. Affiliated companies abroad 3. Audio media and audiovisual media companies 4. Broadcast companies 5. Online providers 6. Music promoters 7. Holdings 8. Companies with which an investment relationship exists 9. Others  III. Bonds  IV. Balance at Banks 1. Time deposits 2. Other  V. Cash	58,299 66,660 14,234 34,318 46,990 29,793 244 106 11,567  40,000  396,261 28,951  33	637          262,211  40,000   425,212  33   <b>728,093</b>	373          8,534  56,960   377,190 17,847  49   <b>713,186</b>
C. Deferred income			224	754
D. Trustee Claims			1,892	1,983
			<b>845,107</b>	<b>791,084</b>

<b>Liabilities</b>		<b>As of Dec. 31, 2010</b>		<b>As of Dec. 31, 2009</b>	
		in thousand €	in thousand €	in thousand €	in thousand €
A. Capital Resources and reserves			<b>0</b>	<b>0</b>	
B. Reserve Funds for Distribution					
	I. From performance (live music, rec. music, films), broadcast rights and royalty entitlements				
	1. Germany	292,258			306,513
	2. Mandates for collection	15,627			20,568
	3. Foreign countries	61,006	368,891		62,542
	II. From reproduction rights and royalty entitlements				
	1. Germany	196,063			172,970
	2. Mandates for collection	10,125			10,130
	3. Foreign countries	25,131	231,319		31,810
			<b>600,210</b>	<b>604,533</b>	
C. Other reserves					
	1. Reserves for pensions and similar obligations		61,292		61,232
	2. Tax accruals		386		502
	3. Other accruals		70,695		61,306
			<b>132,373</b>	<b>123,040</b>	
D. Obligations					
	1. From distributed royalties				
	- to members		13,220		11,439
	- to affiliated foreign collecting societies		13,001		9,232
	2. From advance payments of music event organizers		477		691
	3. To holdings		0		0
	4. To companies with which an investment relationship exists		325		0
	5. Others		45,374		38,549
			<b>72,397</b>	<b>59,911</b>	
E. Deferred Income			<b>38,235</b>	<b>1,617</b>	
F. Trustee Obligations			<b>1,892</b>	<b>1,983</b>	
			<b>845,107</b>	<b>791,084</b>	

# Fixed Assets 2010

	Purchase and production costs				
	As of Jan. 1, 2010	Incoming Assets	Items disposed of	Transfers	As of Dec. 31, 2010
	in thousand €	in thousand €	in thousand €	in thousand €	in thousand €
<b>I. Immaterial Assets</b>					
1. Licenses, commercial copyrights and similar rights and assets, licenses for such rights and values	54,382	139	0	7,709	62,230
2. Installments paid	7,740	3,868	0	-7,709	3,899
	<b>62,122</b>	<b>4,007</b>	<b>0</b>	<b>0</b>	<b>66,129</b>
<b>II. Tangible Assets</b>					
1. Properties, property-like rights and buildings, including buildings on properties not owned by GEMA	67,255	39	0	593	67,887
2. Other Assets, operational and business equipment	13,034	740	992	0	12,782
3. Deposits paid and construction in progress	0	1,136	0	-593	543
4. Low-value assets	0	78	0	0	78
	<b>80,289</b>	<b>1,993</b>	<b>992</b>	<b>0</b>	<b>81,290</b>
<b>III. Financial Assets</b>					
1. Shares in related companies	225	3	0	0	228
2. Holdings	2,307	1,478	0	0	3,785
3. Securities, stocks and bonds in the fixed assets	0	39,980	0	0	39,980
	<b>2,532</b>	<b>41,461</b>	<b>0</b>	<b>0</b>	<b>43,993</b>
<b>Sum Total</b>	<b>144,943</b>	<b>47,461</b>	<b>992</b>	<b>0</b>	<b>191,412</b>

Accumulated Depreciations					Book Value	
As of Jan. 1, 2010	Incoming Assets	Items disposed of	Transfers	As of Dec. 31, 2010	As of Dec. 31, 2009	As of Dec. 31, 2010
in thousand €	in thousand €	in thousand €	in thousand €	in thousand €	in thousand €	in thousand €
40,997	5,283	0	0	46,280	13,385	15,950
0	0	0	0	0	7,740	3,899
<b>40,997</b>	<b>5,283</b>	<b>0</b>	<b>0</b>	<b>46,280</b>	<b>21,125</b>	<b>19,849</b>
18,625	978	0	0	19,603	48,630	48,284
10,160	1,384	991	0	10,553	2,874	2,229
0	0	0	0	0	0	543
0	78	0	0	78	0	0
<b>28,785</b>	<b>2,440</b>	<b>991</b>	<b>0</b>	<b>30,234</b>	<b>51,504</b>	<b>51,056</b>
0	0	0	0	0	225	228
0	0	0	0	0	2,307	3,785
0	0	0	0	0	0	39,980
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,532</b>	<b>43,993</b>
<b>69,782</b>	<b>7,723</b>	<b>991</b>	<b>0</b>	<b>76,514</b>	<b>75,161</b>	<b>114,898</b>

# Reserve Funds for Distribution 2010

	As of Jan. 1, 2010	Dividends for 2009 and earlier	Advance Dividends 2010	Assignments 2010	As of Dec. 31, 2010	As of Dec. 31, 2010
	in thousand €	in thousand €	in thousand €	in thousand €	in thousand €	in thousand €
<b>B. Reserve Funds</b>						
I. From performance, presentation, broadcast and playback rights and royalty entitlements						
1. Germany	306,513	327,049	7,474	320,268	292,258	
2. Mandates for Collection	20,568	17,681	92,475	105,215	15,627	
3. Foreign countries	62,542	47,654	0	46,118	61,006	368,891
II. From reproduction rights and royalty entitlements						
1. Germany	172,970	112,911	36,258	172,262	196,063	
2. Mandates for Collection	10,130	8,830	65,074	73,899	10,125	
3. Foreign countries	31,810	23,698	0	17,019	25,131	231,319
III. Others						
Europe I	0	0	1,108	1,108	0	0
<b>Sum Total</b>	<b>604,533</b>	<b>537,823</b>	<b>202,389</b>	<b>735,889</b>	<b>600,210</b>	<b>600,210</b>

# Appendix

## Important statutory regulations

1. The annual statement of accounts 2010 was compiled according to the regulations of financial accounting for collecting societies, in accordance with Paragraph 9 of the Law on the Administration of Copyright and Neighboring Rights (UrhWG). In addition to the annual statement of accounts - consisting of a balance sheet, a profit and loss statement, and an appendix - a status report was compiled. The financial accounting used in the annual statement of accounts is unchanged in comparison to previous years and adheres to the stipulations of the commercial code at the time of the adoption of Paragraph 9 of the Law on the Administration of Copyright and Neighboring Rights, in so far as the specific characteristics of the functions of a collecting society are not to be taken into consideration.

## Methods of financial accounting and evaluation

2. Nontangible assets were activated with their acquisition costs and straight-line depreciated over the usual company service life.

3. Tangible assets are evaluated at acquisition or production costs. The depreciation will be measured by regular straight-line depreciation. For the business years 2008 and 2009, a tax compound item was formed according to Paragraph 6, Clause 2a of the Income Tax Act (EStG), which will be depreciated as of the year of the formation and the subsequent four years at a rate of 20 percent, respectively. As of the business year 2010, the declared low-value assets (up to € 410) were depreciated to the full amount in the year they were acquired.

4. The financial assets were entered into the balance sheet at acquisition costs.

5. The assessment of loans and receivables was performed using the nominal amount; accumulated depreciation was taken into account for possible shortfall risks. Receivables in the areas of collection for reproductions, foreign countries, broadcasting, and online contained cautious estimates of use occurred in the business year but not yet deducted. The estimates were done based on empirical values from the past. The revenues were actualized on the date of performance delivery.

6. The assessment of securities in the liquid assets, as well as the cash assets and money on account at credit institutions was performed using the nominal value.

7. The active accruals and deferrals were presented as prepaid amounts, in so far as these expenditures were for a certain period after the financial statement date.

8. The allocation of the remaining reserves takes into account all of the recognizable risks and uncertain obligations, and was performed according to reasonable commercial judgment.

The accruals for pension plans, employee anniversaries, and partial retirement were calculated based on actuarial principals, and taking into account the 2005 G Guideline Tables by Dr. Klaus Heubeck.

The assessment of the pension accruals was conducted according to the fiscal entry age normal method with an account rate percent of 6.0. The assessment of the accruals for anniversary bonuses and the partial retirement accruals was based on an account rate percent of 5.5.

Since the business year 1999, allocations to the pension accruals were limited to the legally necessary volume. On the financial statement date there was an obligation from previous commitments in the amount of € 37.105 million (previous year € 37.715 million), which is not included on the balance sheet.

9. Liabilities were assessed in the amount to be repaid.

10. The passive accruals and deferrals were presented as income prior to the financial statement date, in so far as this revenue was for a certain period after the financial statement date.

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

### Information concerning the balance sheet positions

- 12.** The shareholdings in associated companies consist of a 100 percent share in PAECOL GmbH, Munich, with a balance sheet equity capital in the amount of € 0.131 million.
- 13.** Along with the 50 percent share in CELAS GmbH, Munich, with a proportionate equity capital in the amount of € 0.391 million, the shareholdings in the business year 2010 consisted primarily of a 25 percent share, which was acquired in 2010, in iSYS Software GmbH, Munich. In addition, GEMA is a partner in the Central Organization for Private Re-recording Rights Munich (ZPÜ).
- 14.** In the business year, portions of the securities of the liquid assets, corresponding to their economic usage, were restructured into the long-term fixed assets (€ 39.980 million). GEMA will hold the securities until their final maturity.
- 15.** The receivables are due within a year. The receivables for associated companies are due from PAECOL GmbH, Munich, and amount to € 0.244 million.
- 16.** The securities holdings in the liquid assets in the amount of € 40.000 million (previous year € 56.960 million) are exclusively fixed interest-bearing bonds, which serve as temporary fixed assets in the liquid reserves.
- 17.** The trust receivables, in other words, the trust obligations, in the amount of € 1.892 million (previous year € 1.983 million) have to do with security deposits from recording media manufacturers and transitory items from license amounts from recording media manufacturers collected and administered by GEMA before they are distributed to the rights owners.
- 18.** GEMA has neither book-entry own funds nor reserves. All revenue is distributed to the rights owners (members and other beneficiaries) after expenses have been covered.
- 19.** For the distribution, € 600.210 million (previous year: € 604.533 million) is available. In 2010 the distribution sum was € 537.823 million (previous year: € 567.374 million) for previous years, and for the current year € 202.389 million (previous year: € 229.288 million) for a total amount of € 740.212 million (previous year: € 796.662 million). The allocation sum for 2010 is € 735.889 million (previous year: € 713.051 million).
- 20.** The remaining accruals in the amount of € 132.373 million (previous year: € 123.040 million) are primarily accruals for pension funds and similar obligations (€ 61.292 million; previous year: € 61.232 million); for human resources expenses (€ 11.770 million; previous year: € 12.541 million); for attorney and court costs (€ 2.540 million; previous year € 1.355 million); for taxes (€ 0.386 million; previous year: € 0.502 million); and for expenses for the annual statement of accounts and tax consultants (€ 0.303 million; previous year: € 0.273 million). Accruals in the amount of € 6.819 million (previous year € 7.351 million) were accumulated for the receivables from collecting services for other companies. This makes allowance for the circumstance that the distribution follows only after the funds are received in the inventory of receivables. Accruals were also accumulated for revenue corrections in the online area (€ 26.043 million; previous year € 22.531 million); for broadcasting (€ 18.328 million; previous year € 11.705 million); and for industrial recordings (€ 4.100 million; previous year € 5.200 million).
- 21.** There are no liabilities with a maturity of one year. The remaining liabilities consist primarily of liabilities to GVL, VG WORT, ZWF and VG Media from collection services for other companies in the amount of € 23.647 million (previous year: € 20.372 million), as well as to the Federal Treasury for monetary transactions in the amount of € 5.358 million (previous year: € 0).
- 22.** The passive accruals and deferrals contain marked-off membership fees as well as marked-off revenue from the regional offices; the latter was declared in the previous year under distribution accruals.



## Information on the profit and loss calculation entries

23. The revenues from usage rights and compensation claims in the business year amounted to € 841.864 million (including

€ 2.184 million from compensation damages for licenses); in the previous year the amount was € 819.184 million (including € 2.892 million from compensation damages for licenses). These revenues are listed in details in the following tables:

	2010	2009
	in tsd. €	in tsd. €
a) Income from Performance, Presentation, Broadcast and Playback Rights <i>from compensation in lieu of licenses</i>	411,140 2,184	408,697 2,892
b) Income from the Administration of Reproduction Rights	185,747	180,752
c) Income from Royalty Entitlements (ZPÜ + ZBT)*	53,766	10,827
d) Income from Mandates for Collection	191,211	218,908
<b>Income from Licenses and Royalty Entitlements</b>	<b>841,864</b>	<b>819,184</b>
e) Other Income	21,097	21,871
<b>Total Income</b>	<b>862,961</b>	<b>841,055</b>

\* ZPÜ: Zentralstelle für private Überspielungsrechte, München  
ZBT: Zentralstelle für Bibliothekstantieme, München

These income items can be broken down into the following individual licensing sections:

	2010	2009
	in tsd. €	in tsd. €
Live Music	83,202	85,628
Soundtracks	8,221	8,014
Mechanical Music	125,154	123,191
Royalty Entitlements, acc. to § 27, Copyright Act	4,668	5,427
Sound and Audio-visual Storage Media Industry	170,499	172,688
Mandates for Collection for Other Collecting Societies	59,714	54,783
Radio and Television	261,587	287,275
Online	14,195	11,381
Royalty Entitlements, acc. to § 54, Copyright Act	49,098	5,400
Foreign Countries	65,526	65,397
Other Income	21,097	21,871
<b>Total Income</b>	<b>862,961</b>	<b>841,055</b>

The revenues from the audio and audio-visual media industries is compiled from revenues from the reproduction of audio and audio-visual media for the domestic sales territory in the amount of € 99.501 million (previous year: € 100.154 million), and from the central licensing for the foreign sales territory in the amount of € 70.998 million (previous year: € 72.534 million).

The revenues from the area of radio and television are compiled from collection services for broadcasting and cable rebroadcasting rights, as well as reproduction rights in the amount of € 201.088 million (previous year: € 195.684 million) and for the authorization to collect for other companies (cable rebroadcast, regional commercial blocks, Europa I) in the amount of € 60.499 million (previous year: € 91.591 million).

The returns from the entitlement to receive compensation in accordance with Paragraph 54 of the German Copyright Act contained supplementary payments for PC levies for the years 2002 to 2007 in the amount of € 42.029 million.

## 24. Human resources expenses

	2010	2009
	in tsd. €	in tsd. €
Earnings and Wages	51,176	55,581
Social Security Plan and Social Welfare Programs	16,612	17,833
	<b>67,788</b>	<b>73,414</b>

The expenses for pension funds were € 7.194 million (previous year: € 7.724 million), and expenses for social programs were € 9.418 million (previous year: € 10.109 million); together they amounted to € 16.612 million (previous year: € 17.833 million).

The operating expenses for pension funds consist of pension payments in the amount of € 7.134 million (previous year: € 7.091 million), as well as allocations to accruals for pensions in the amount of € 0.060 million (previous year: € 0.633 million).

The number of permanent employees decreased from 952 on December 31, 2009 to 908 on December 31, 2010.

The average number of employees for the first quarter 2010 was 1,107; for the second quarter 2010 1,103; for the third quarter 2010 1,095; and for the fourth quarter 2010 1,064.

**25.** The miscellaneous company expenses as well as other interest and similar revenue consisted of the following:

	2010	2009
	in tsd. €	in tsd. €
Information and Communication	7,276	6,665
Office Devices	2,173	2,263
Administration	4,107	3,622
Incidental Costs from Collection Business	14,850	14,835
Outsourced EDP	11,263	10,308
Restructuring Measures	1,502	492
Bank Charges	165	144
Miscellaneous	9,855	8,959
	<b>51,191</b>	<b>47,288</b>
Interest Paid	18	17
	<b>51,209</b>	<b>47,305</b>

The ancillary expenses of collecting services are comprised of control costs in the amount of € 9.187 million (previous year: € 9.281 million), and lawyer costs and court costs in the amount of € 5.663 million (previous year: € 5.554 million).

Fundamentally, in the expenses for restructuring measures are costs for international cooperations (€ 0.533 million; previous year: € 0.163 million), and for the restructure of the regional offices (€ 0.370 million; previous year: € 0).

#### Supplementary information

**26.** Contingencies in the sense of Paragraph 251 of the German Commercial code (HGB) result from

the orders of collateral for liabilities in the amount of € 4.283 million. In addition, other financial obligations are liabilities to payment from long-term rent contracts, possible reimbursement obligations, as well as capital contributions from subsidiaries that have not been drawn down yet in the amount of € 3.839 million.

**27.** The calculated total fee of the auditor for the business year 2010 is € 0.206 million. Of that amount, € 0.186 million is for services rendered for the examination and verification of the annual statement of accounts, and € 0.020 million is for miscellaneous services.

**28.** During the reporting year, the members of the Executive Board were Dr. Harald Heker (President and Chief Executive Officer); Rainer Hilpert (member of the Executive Board); and Georg Oeller (member of the Executive Board). The annual salaries of the Executive Board members were € 0.484 million for Dr. Harald Heker; € 0.332 million for Rainer Hilpert; and € 0.264 million for Georg Oeller.

The contractual pension payments to former members of the Executive Board amounted to € 0.554 million. The amount of € 2.844 million has been set aside for the pension claims of former members of the Executive Board.

**29.** In accordance with Paragraph 13, Clause 1 of GEMA's articles, the Board of Supervisors consists of 15 members. For every professional category, two deputies can be elected in accordance with Paragraph 13, Clause 1, Subclause 2 of the articles.

The Board of Supervisors was elected during the annual membership meeting on June 24, 2009. The chairman and two deputies were elected during the Board of Supervisors' meeting on June 24, 2009; the chairman and the two deputies were reelected during the Board of Supervisors' meeting on June 30, 2010.

Effective February 26, 2010, the members of the Board of Supervisors elected a substitute member as a deputy for the lyricist category; this election was confirmed during the annual membership meeting on June 30, 2010.

Therefore, the Board of Supervisors consists of the following members:

**Composers:**

Klaus Doldinger	
Jörg Evers	Chairman
Prof. Dr. Enjott Schneider	
Prof. Lothar Voigtländer	
Dr. Ralf Weigand	
Christian Wilckens	
Prof. Dr. h. c. Wolfgang Rihm	Deputy
Prof. Manfred Schoof	Deputy

**Lyricists:**

Burkhard Brozat	
Frank Dostal	Vice Chairman
Frank Ramond	
Stefan Wagnershausen	
Tobias Künzel	Deputy
Hans-Ulrich Weigel	Deputy (as of 26.02.2010)

**Publishers:**

Prof. Dr. Rolf Budde	
Karl-Heinz Klempnow	Vice Chairman
Hans-Peter Malten	
Dagmar Sikorski	
Patrick Strauch	
Lutz Ilgner	Deputy
Prof. Klaus-Michael Karnstedt	Deputy

The members of the Board of Supervisors only receive reimbursement for expenses. In 2010, these expenditures amounted to a total sum of € 0.368 million.

Munich, March 3, 2011



Dr. Harald Heker



Rainer Hilpert

Der Vorstand



Georg Oeller

# Results of the Examination and Verification Notice

Based on the results of our dutiful examination of the annual statement of accounts and the status report we hereby grant the following unconditional verification notice:

„We have examined the annual statement of accounts – consisting of the balance sheet, profit and loss statement, as well as the appendix – including the bookkeeping and status report of GEMA, Society for Musical Performing and Mechanical Reproduction Rights, Berlin, for the financial year from January 1 to December 31, 2010. The bookkeeping and compilation of the annual statement of accounts and status report were done according to the German Commercial Code in the version valid at the time of the adoption of Paragraph 9 of the Law on the Administration of Copyright and Neighboring Rights (UrhWG) through the Accounting Directives Act, as well as the supplementary regulations of the articles, and are the responsibility of the legal representatives of the association. Our task is to give our judgment on the annual statement of accounts, based on the examination we conducted on the book-keeping and the status report.

We dutifully examined the annual statement of accounts according to Paragraph 9 of the Law on the Administration of Copyright and Neighboring Rights and to the regulations in Article 317 of the German Commercial Code (HGB) and in adherence to the German guidelines set by the Institute of Private Auditors in Germany (IDW: Institut der Wirtschaftsprüfer). According to these guidelines, the examination is to be planned and conducted so that errors and infractions that have a significant effect on the conveyed image of the asset situation, financial situation, and income situation in the annual statement of accounts and status report, following the guidelines of correct bookkeeping, will be recognized and identified with certainty. With the determination of the auditing procedures the information of the association's activities and its economic and legal situation, as well as the possibility of errors, are taken into consideration. During the course of the examination, the effectiveness of the in-house

control system for the financial accounting, as well as documentary evidence of the statements in the bookkeeping, annual statement of accounts, and status report, are evaluated chiefly based on sample audits. The examination consists of the evaluation of the guidelines for compiling the balance sheet and the legal representatives' basic estimates, as well as the assessment of the overall depiction of the annual statement of accounts and the status report.

We are of the opinion that our examination has an adequately safe foundation for our judgment.

Our examination did not result in any objections.

According to our judgment, based on the results from the examination the annual statement of accounts adheres to legal regulations and was conducted according to the rules of correct bookkeeping, and it reflects the corresponding image of the actual circumstances of the association's asset situation, financial situation, and income situation. The status report is in agreement with the annual statement of accounts, and conveys an overall correct image of the association's status and portrays correctly the opportunities and risks for the future development of the association.

In accordance with Article 9, Paragraph 5 of the Law on the Administration of Copyright and Neighboring Rights (UrhWG), we confirm that the bookkeeping, the annual statement of accounts, and the status report correspond to the law and articles.“

Munich  
March 10, 2011

**Ernst & Young GmbH**  
Certified Auditing Company

**von Borries**  
Certified public accountant

**Schönhofner**  
Certified public accountant

# General Administration and Regional Offices of GEMA

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