

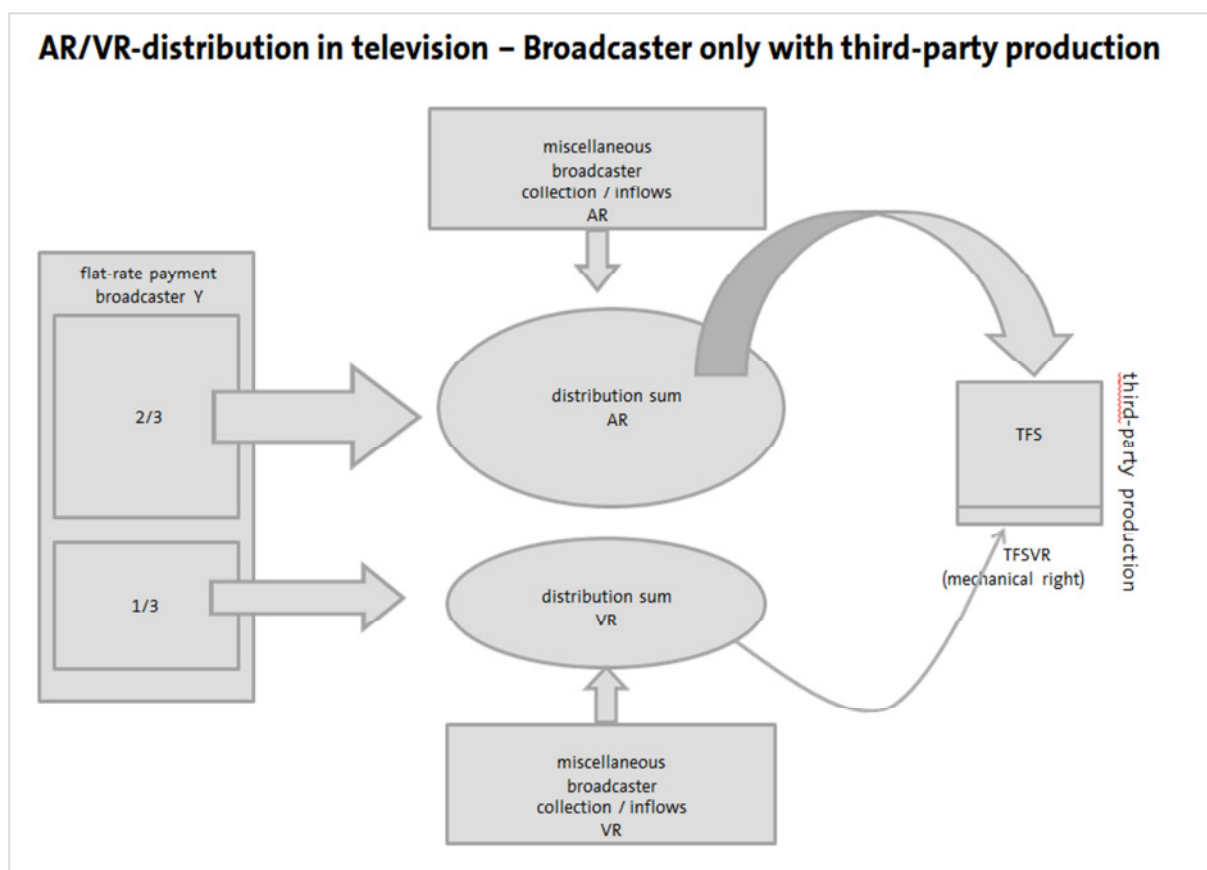
## FAQ – Reform in broadcast distribution: AR/ VR-distribution

### Starting situation

Up to and including business year 2015 payments based on the broadcasters' collections were divided with the fixed ratio of 2:1 into broadcasting right (AR) and mechanical right (VR). This fixed breakdown with the ratio of 2/3 AR and 1/3 VR leads to a higher payment of the distribution sum corresponding to the collection (broadcaster with higher proportion of own and commissioned productions).

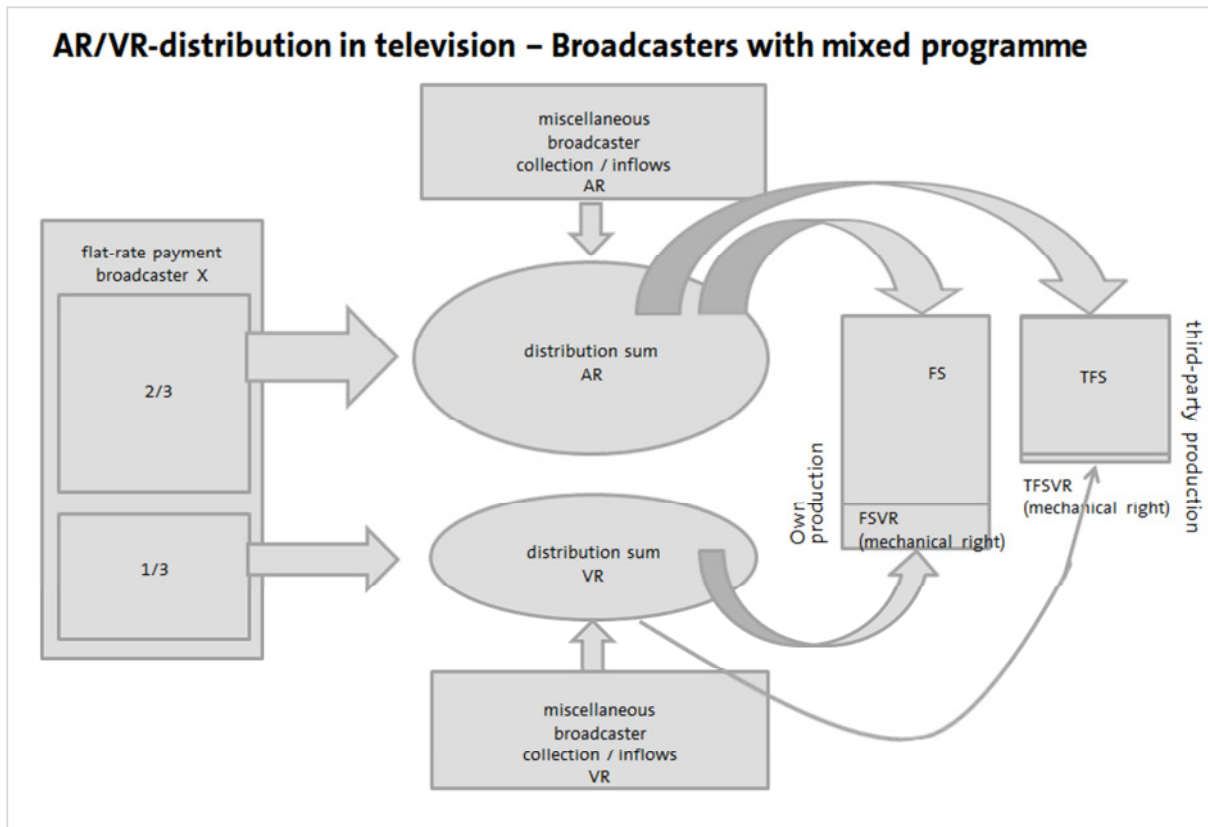
The following two pictures show the previous breakdown of the collection and the results of the distribution:

1. picture refers to a broadcaster only with third-party productions (100 % TFS)
2. picture refers to a broadcaster with own and commissioned productions as well as third-party productions (FS and TFS productions)



1.

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2.

When crediting the mechanical right, account must be taken of the fact that GEMA does not grant the synchronisation right to broadcasters for third-party productions (including product advertising). Thus, in the category T FS VR (mechanical right) crediting is at one-tenth.

When allocating the broadcaster collection to the distributions sums in AR and VR the one-tenth rule does not apply: The breakdown of the collection of is fixed with a ratio of 2:1 into AR and VR for all broadcasters, regardless of how high the proportions are of own and commissioned productions and third-party productions (including product advertising). Even if a broadcaster only shows third-party productions (see picture 1), one-third of its collection is allocated to the distribution sum of VR – but when crediting the broadcasted minutes of third-party productions the one-tenth rule applies.

### 1. What was the reason to change the broadcast distribution and how will it be made in the future?

Discussing the reform in the broadcast distribution at the General Assembly 2014, the members had asked to review the previous fixed allocation of the broadcasters' collection in television into the categories AR (broadcasting right) and VR (mechanical right).

The German Patent and Trade Mark Office had required a change in the distribution of AR/VR. Collecting societies are generally obliged to a usage and collection based distribution.

The reform of the broadcasting distribution approved by the 2014 General Assembly will be implemented from business year 2016 on and will include following innovations:

From business year 2016 on, for each broadcaster separate broadcaster coefficients for the allocation to the categories of the broadcasting rights (FS and TFS) and mechanical rights (FS VR and TFS VR) are being set. The previous allocation of the broadcaster collection with the ratio of 2/3 broadcasting right (AR) and 1/3 mechanical right (VR) is being replaced by a separated allocation depending on the proportion of own and commissioned productions as well as third-party productions.

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Corresponding to their proportion of own and commissioned productions (FS), the broadcasters are being rated in one of three segmentations. For each of the three segments a uniform ratio of AR/VR applies for the allocation of the broadcaster collection. The higher the proportion of own and commissioned production, the higher is the proportion of VR (mechanical right).

Segment	FS proportion	AR/VR ratio
1	100 – 66.67%	2 : 1
2	66.66 – 33.33%	2 : 2/3
3	33.32 – 0%	2: 1/3

For broadcasters with a high proportion of own and commissioned productions the previous AR/VR ratio keeps remaining (segment 1).

For broadcasters with a high proportion of third-party productions a smaller VR proportion is being taking as a basis (segments 2 and 3).

Separate variable broadcaster coefficients for AR and VR have been set for each full public and private broadcaster in accordance with the segmentation.

### 2. What are the benefits of the new rules?

Declared aim of the reform in broadcast distribution is to replace the previous fixed allocation of the broadcaster collection to the categories broadcasting right (AR) and mechanical right (VR) by a rule considering the channels` proportion of own and commissioned productions as well as the proportion of third-party productions. The result is a more appropriate allocation and a more balanced ratio.

### 3. Why is this distinction being made the in the area of television and but not in the area of radio?

In the area of radio the synchronisation rights are irrelevant, as GEMA grants for all kind of productions in radio mechanical rights.

### 4. How does this change affect the distribution?

Due to the separate broadcaster coefficients for the categories broadcasting rights (FS and TFS) and mechanical rights (FS VR and TFS VR) an allocation is taken place considering the proportions of own and commissioned productions and third-party productions.

For broadcasters with a high proportion of own and commissioned productions the previous AR/VR ratio keeps remaining. If you mainly have usages on channels which only broadcast third-party productions, which means a very low proportion of FS (e.g. of 10%), the VR share is low.

The separated AR/VR-allocation is also being considered in forming of the broadcaster coefficients, by setting variable broadcaster coefficients for AR and VR for each channel.

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### **5. My payout for television usages is lower than in the recent years. Is this due to the change in distribution?**

First, please check your statement of usages for completeness.

A lower payout can have the following reasons:

- Less usages in the area of television
- Usages were taken place on channels with low broadcaster coefficients
- The different proportions of own and commissioned productions on the one hand and of third-party productions on the other

### **6. My payout for television usages is lower than in the recent years. Are there any further reasons for the decrease?**

Yes. For every business year the distribution sum is being determined. This leads also to changes in forming the broadcaster coefficients as well as in calculating the minute values.

This could be aswell a factor for the decrease of the payout.

### **7. My payout for television usages is lower than in the recent years. Is there a hardship ruling?**

No, a hardship ruling is not intended.

### **8. How does the reform affect the broadcaster coefficients?**

The previous allocation of the broadcaster collection with the ratio of 2/3 broadcasting right (AR) and 1/3 mechanical right (VR) is being replaced by a separated allocation depending on the proportion of own and commissioned productions as well as third-party productions.

The separated allocation can have effect on the broadcaster coefficients in AR and VR for channels which are classified in segments 2 and 3, as in those segments the allocation of the broadcaster collection to AR is proportional higher than to VR.

### **9. How are the distribution sums and the minute values being formed?**

Separated distribution sums are being determined for broadcasting right and mechanical right in the area of radio (categories R for broadcasting right and R VR for mechanical right) and in the area of television (categories FS and TFS for broadcasting right and FS VR and TFS VR for mechanical and synchronisation right). Then the separated minute values for radio and television are being determined.

Besides the broadcaster collection, there are miscellaneous inflows included in the broadcast distribution. There are no own categories formed for those miscellaneous inflows.

As separated distribution sums are being determined, the miscellaneous inflows are now allocated appropriately to the areas of radio and television.

The miscellaneous inflows in television are:

- Revenue from communication of television broadcasts and of audio-visual carriers
- Video share of revenue from private copying (ZPÜ, Central Organisation for Private Copying Rights)
- Revenue from cable retransmission of television broadcasts
- Revenue from online usages (television share)
- Revenue from commercial reproduction of audio-visual carriers without programme