

ANNUAL REVIEW 2016

GRAMEX - Copyright Society of Performing Artists
and Phonogram Producers in Finland



Time of change and improvement

The present year has been a time of change and improvement at Gramex.

The core operations of licensing and distribution have been running in their own, established manner. The most significant new area of licensing is the network personal video recorder (NPVR) of TV broadcasts, accumulating remuneration proceeds at an annual level of EUR 1 million. The overall remuneration increased to record figures. The most considerable factors in addition to the NPVR accumulation were the private copying levies and NPVR proceeds transferred from the previous year.

Two major development processes, the renewal of the distribution system (Apollo) and the licence trade of public performance of music in cooperation with Teosto (Musiikkiluvat.fi), have significantly tied up Gramex's resources. Both processes have had their own schedule-related challenges due to various reasons, but both have advanced to the deployment testing phase during the reviewed year. The transfer of the entire department of public performance under GT Music Licences at the beginning of October was a substantial change to Gramex. The purpose of both development projects was to improve both customer service and the efficiency of our operations.

The CEO change at the beginning of March went smoothly and did not hinder the continuation of the operations. We have started to develop our financial administration from a service department into a third core operation of the organisation alongside licensing and distribution. Our IT environment has been strongly renewed and improved. Our office facilities have been renovated and the use of space has been updated to meet current requirements. Changes have been made to the organisations and operating models of the financial administration, IT department and the management group.

A proposal for a new collective management of copyright act in accordance with the EU directive was delivered to the Finnish Parliament at the end of the year. The act will stipulate requirements to the organisation of our operations, but we have been able to verify that our operations are already being conducted in the spirit of the act.

The development of the organisation continues. New operating models and work processes are required as the needs of the organisation change with the development processes. As music licenses launch the sales and invoicing, the new distribution system is deployed and international cooperation and information exchange develops, there will be changes to our operating model. Our goal is to clarify and simplify our processes.

Next year, Gramex will celebrate 50 years of working for the benefit of the right-holders of phonograms. Long live music!



Ilmo Laevuo
CEO



Customers

Rightholder customers
- 47,711 performer customers
- 15,302 producer customers

User customers
- approximately 30,800 premises for which remuneration is paid for the public performance of music
- approximately 200 media licensing customers

Remuneration was paid to

- 11,894 direct performer customers with a customer contract with Gramex, about 10,744 of whom are Finnish and 1,150 foreign (average of EUR 446)
- approximately 3,337 producer customers (average of EUR 2,940)
- approximately 30,000 performer customers of foreign organisations (average of EUR 90)

Remunerations paid amounted to EUR 17.8 million*

Approximately 10.4 million to Finnish customers
Approximately 7.4 million to foreign customers

* The remunerations distributed in 2016 were primarily those collected in 2015

Personnel and operating expenses

- 36 employees at the beginning of the year
- 26 employees at the end of the year*
- operating expenses EUR 3.7 million

** 10 employees transferred to GT Music Licences Ltd in October

Remuneration collected EUR 24.4 million*

Public performance of phonograms EUR 9.7 million
Media licensing EUR 11.2 million
Private copying levies EUR 3.1 million
Remuneration from abroad EUR 0.4 million

* Includes network personal video recorder service remunerations and private copying levies exceptionally for two years



Record figures in remunerations

In 2016, Gramex remunerations amounted to a total of EUR 24.4 million. This is more than ever before. In 2015, a total of EUR 20.3 million was collected in remunerations.

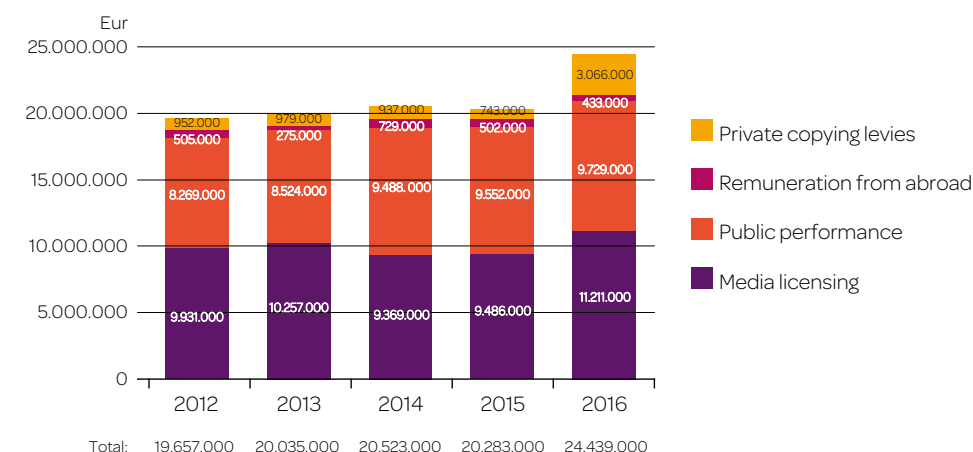
What led to this type of growth? The reason was that 2016 entailed two substantial remuneration installments in arrears from 2015. The remunerations were for private copying levies and network personal video recorder.

The legislation changed for both of these. The year 2015 marked the first time private copying levies accrued to be paid from the state budget. It was also the first year that network personal video recorder remuneration was collected.

Neither appeared on the Gramex account until 2016.

The largest remuneration installments in 2016 came from the performing right royalties and dubbing royalties for public performance of phonograms (EUR 9.7 million) and media licensing (EUR 11.2 million). Private copying levies were paid for two years, therefore amounting to a total of EUR 3.1 million. Remuneration from abroad amounted to EUR 0.4 million.

Total accumulated Gramex remunerations 2012–2016



Tuija Brax becomes Chair of the Board at Gramex

In 2016, Tuija Brax was appointed Chair of the Gramex Board of directors. Her predecessor, Ilmo Laevuo, was appointed CEO of Gramex.

According to the by-laws of Gramex, the Board must have an equal number of producer and performer members and a Chair who is neutral towards the rightholder parties. The members of the Board have personal deputies.

The producer members were Antti Kotilainen, Vice Chair (deputy Tapio Kor-

jus), Niko Nordström (deputy Wemppa Koivumäki) and Kimmo Valtanen (deputy Kari Helenius).

The performer members were Ahti Vanttinen, Vice Chair (deputy Lottaliina Pokkinen), Jouni Nieminen (deputy Juho Viljanen) and Matti Lappalainen (deputy Miika Tarhio).



Media licensing achieves its record year

Network personal video recorder services of TV broadcasts and the successful radio industry create growth.

The total amount collected from media usage was EUR 11.2 million. The amount of remunerations was EUR 1.7 million more than in 2015.

The collections were mostly increased by the launched licensing of network personal video recorder services of TV broadcasts. The remunerations came from three sources: EUR 8.2 million for using phonograms on the radio and television, EUR 2.5 million for network use of phonograms and EUR 0.5 million for copying.

"Commercial radio is doing well, which can also be seen in the amounts of Gramex remunerations. Both advertising sales and number of listeners increased from last year," says Licensing Manager **Juhani Ala-Hannula**.

The usage rate of phonograms in commercial radio has remained the same for a few years, and the advertising proceeds of radio stations have continued their growth.

ACTIVE DEVELOPMENT

The objective of Gramex is to stay actively involved in the development work of the industry.

RadioMedia has been developing a Radio On Demand service. The service makes previously broadcast radio shows available to the public.

Gramex has agreed with RadioMedia on a trial period of the service, and negotiations on the further development of the service are currently underway.

Yleisradio is developing so-called Areena channels around various themes for offering programmes in a type of catalogue. The use of drama shows produced and broadcast by Yleisradio in Yle Areena was agreed upon with Yleisradio.

NETWORK PERSONAL VIDEO RECORDER SERVICES

The NPVR services of operators have found their place in the service selection.

"The new licensing area of Gramex has gained excellent momentum, and the discussions to develop licensing will continue," says Ala-Hannula.

Of the overall remunerations of network personal video recorder services of television programmes, 8.6% has been agreed to be paid to the rightholders represented by Gramex. According to Ala-Hannula, this will mean licensing proceeds of approximately EUR 1.1 million per year.

The sale of AV dubbing licenses remains unchanged. AV producers also increasingly need music rights for the network use of programmes. However Gramex has not obtained all the needed rights for sale.



Steady growth in background music

The growth of background music remained steady, and the operations of GT Music Licences Ltd were launched.

EUR 9.7 million accrued in performing right royalties and dubbing royalties for public performance of music. In 2015, the corresponding figure was a little under EUR 9.6 million, and in 2015, about 9.5 million.

"Alternatives for music represented by Gramex are gaining a slight foothold on the market, which puts us in a completely new situation in terms of competition," says Licensing Manager **Petri Kiiski**.

"Even so, authentic music performed by familiar Finnish faces and foreign artists has persevered."

RADIO MUSIC DOMINATES THE INDUSTRY

Most shops and customer premises play music from Finnish radio stations.

However, there is a market in Finland for background music operators providing background music customised for the needs of the business owner.

The Swedish Spotify Pro streaming service has taken its place alongside Finnish background music operators.

The changing market situation was met by renewing background music operator products, simplifying the product structures and decreasing the monthly compensations of operators aiming to enter the market.

MUSIIKKILUVAT.FI SEES THE LIGHT OF DAY

GT Music Licences started its operations in 2016. It is a joint one stop shop of Gramex and Teosto.

"The GTM cooperation project started

its run by immediately bringing new customers and added sales to Gramex due to the enhanced solicitation of customers," says Kiiski.

In the summer of 2016, **Stefan Kajanus** started his work as CEO, and at the beginning of October, 10 employees transferred from Gramex to work for the company and handle the customer service, product sales and invoicing of Gramex customers.

Gramex has been kept busy by the company launch and ownership steering. In addition, Gramex has actively communicated the changes to the trade associations and the customers whose accounts are transferred to the company.

31,000 customers with Gramex contracts

There are about 30,800 user customers in the public performance sector and about 200 user customers in the media licensing sector with a Gramex contract.

Hairdresser Sirpa Seppälä, entrepreneur of a barber shop New Look, regards as a good idea that Gramex and Teosto will offer one-stop service in the future.



63,000 rightholder customers

At the end of the financial year, a total of 47,711 (45,850 in 2015) performers and 15,302 (14,659 in 2015) producers had signed a customer contract with Gramex. In addition, Gramex serves a large number of foreign customers through its foreign affiliates.

EUR 17.8 million in remunerations

In 2016, Gramex distributed a total of EUR 17.8 million in remunerations. These had mostly accrued in 2015. Approximately EUR 10.4 million was delivered to Finnish customers and EUR 7.4 million to foreign customers.

In 2016, remunerations were paid to approximately 11,894 direct performer customers of Gramex holding a customer contract with Gramex. In addition, about 30,000 musician distributions from various years were made to performer customers of foreign organisations. Approximately 10,744 of all direct performer customers of Gramex are Finnish, and approximately 1,150 are foreign. In addition, about 3,337 producer customers received remunerations.

In 2016, the annual average remuneration for direct performer customers of Gramex was EUR 446 per year (EUR 670 in 2015). The average payments for performer customers of foreign organisations were EUR 90 per year (EUR 78 in 2015). The average remuneration for producer customers was EUR 2,940 per year (EUR 4,816 in 2015). The average remuneration of producers shows that the number of producer customers receiving remunerations increased from last year's 2,200 customers to 3,337 customers.

There are often several performers performing on a phonogram, but there is typically only one producer and, for this reason, producers receive a higher average remuneration than performers.

Cash in motion faster than before

Gramex brought its annual main distribution days forward, which meant that a little under 18 million was delivered faster than before

In 2016, Gramex distributed a total of EUR 17.8 million in remunerations. Approximately EUR 10.4 million was delivered to Finnish customers and EUR 7.4 million to foreign customers.

The previous year, Gramex distributed a record amount: EUR 19.3 million. The distribution was larger than usual because some remuneration installments collected over the course of several years were not distributed until 2015.

The objective set for 2016 to bring forward the distribution and payment dates of all distribution groups was very successful.

"Advancing the annual main distribution days of Gramex was a great success and went completely according to schedule," says Director **Tuomas Talonpoika**.

The payment processes of remunerations collected for foreign phonograms were also managed according to plan and schedule. Gramex focused its resources to a more specific review of played music regarding certain countries. This proved fruitful. The amount of performing right royalties of performers from Sweden,

for example, was larger in 2015 than what was paid to Sweden that same year.

NEW RECIPROCAL REPRESENTATION AGREEMENTS

In 2016, a number of new A-level reciprocal representation agreements were negotiated and concluded in terms of performer organisations.

New agreements were made with the following organisations: GDA in Portugal, Adami in France, EJI in Hungary, Agata in Lithuania, PlayRight in Belgium, SFH in Iceland and EEL in Estonia.

The deployment of VRDB2, an international, assistive distribution system and database developed by SCAPR, was started in Gramex with the training of key employees. The two appointed Data Managers from Gramex took part in training organised by SCAPR.

ONGOING SERVICE DEVELOPMENTS

The renewal project of the distribution system advanced according to plan in 2016, which allows the deployment of the system to be initiated in February 2017.

According to Talonpoika, the most challenging aspect of the year was the implementation of the building and procurement project of the new distribution system while managing the normal annual functions with the old Heureka distribution system.

The new Apollo distribution system was presented at the international PRC meeting of IFPI in October. The building of a customer portal intended for rightholders and planned to be connected to the system was also started in December.

In the spring, the On Line service for making phonogram notifications was opened for a trial run and has been used over the year by the producers selected to the test group. The test version will be used to collect feedback which will be utilised in the phonogram notification service to be integrated to the new customer portal.

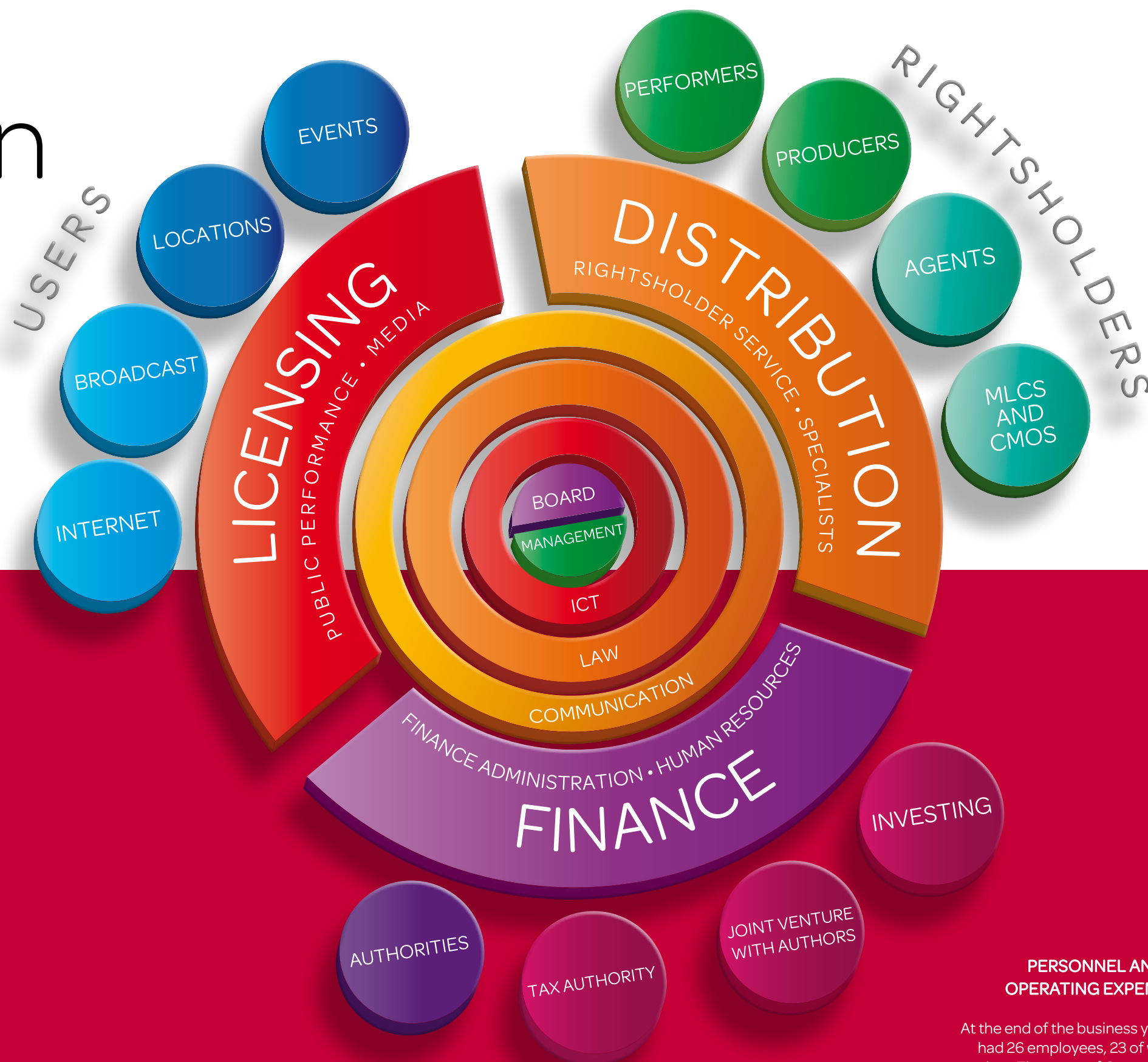
Financial administration to have a larger role

The financial administration of Gramex will be increasingly developed into a core operation with its eyes on the future.

The role of financial administration at Gramex has been expanded as one of the core operations alongside distribution and licensing.

"The reorganisation of operations that strained financial administration enabled the development of financial administration into an operator that is able to focus more on the future. Gramex will comprehensively benefit from this in the implementation and planning of practical business operations," says Financial Manager **Marja Linna**.

The operations of GT Music Licences Ltd were launched in 2016. In the early stages of its operation, GT Music Licences was assisted in the planning and launching of its financial administration as well as in the management of its routines. The financial administration resources and division of labour at Gramex were organised to correspond to the changed situation. At the same time, the targets for improvement entailed in the future collective management of copyright act were investigated regarding financial administration.



PERSONNEL AND OPERATING EXPENSES

At the end of the business year, Gramex had 26 employees, 23 of whom are regulars. The costs of Gramex operations amounted to EUR 3.7 million. At the beginning of the year, there were more employees. In October, 10 employees transferred to GT Music Licences Ltd co-owned by Gramex and Teosto.

Year of reformation in the IT department

The office computers, telephone exchange and various pieces of software were renewed.

The year 2016 brought great changes. The IT department at Gramex was reorganised. The hardware was comprehensively renewed in connection with the renovation of the Gramex office. In addition, software and hardware were renewed and modernised to perform better in terms of cost-efficiency, operational reliability and technical properties.

"The most challenging aspect of the year, due to project resources, was managing the extent and schedule of the

projects," says ICT expert **Mikko Leppänen**. "One of the most positive aspects was the favourable attitude of the people towards the renewals and changes."

All the computers were replaced with "Microsoft Surface" computers that offer high levels of mobility and act as a substitute for separate tablet computers; the Office365 cloud service was deployed; a WhatsApp group was set up for Gramex employees, the telephone exchange was renewed and the conference rooms

were equipped with new technology that enables video conferences, etc.

Taking part in the development of the Apollo distribution system in cooperation with the distribution department took a considerable amount of time. In addition, GT Music Licences was offered software administration and individual launch stage projects for the transition period.



Excited to communicate the new features

In 2016, there was a great deal to communicate both inside and outside Gramex.

In many respects, the year 2016 was a year of reformation for Gramex.

"In 2016, we renewed our logo and website, prepared for our 50th anniversary and provided visual support for our extensive office renovation," says Communications Director **Lauri Kaira**.

In terms of communications, the year was busy. "We had the historical record distribution, changes to the CEO and Chair positions of Gramex, and the launch of GT Music Licences Ltd."

A NEW IDENTITY

The logo designed by AD **Erkki Mikola**, the look and the website reflecting their visuals were deployed at the turn of the years

2016/2017. The same will be used for renewing the office decor.

Gramex was a sponsor of Emma Gala and Music & Media. Gramex also organised a panel discussion and reception at Pori Arena in cooperation with other copyright organisations. The humorous "Musiikki tekee hyvää" adverts of Gramex were published in music magazines and on a number of radio channels.

REFORMS AND CHANGES

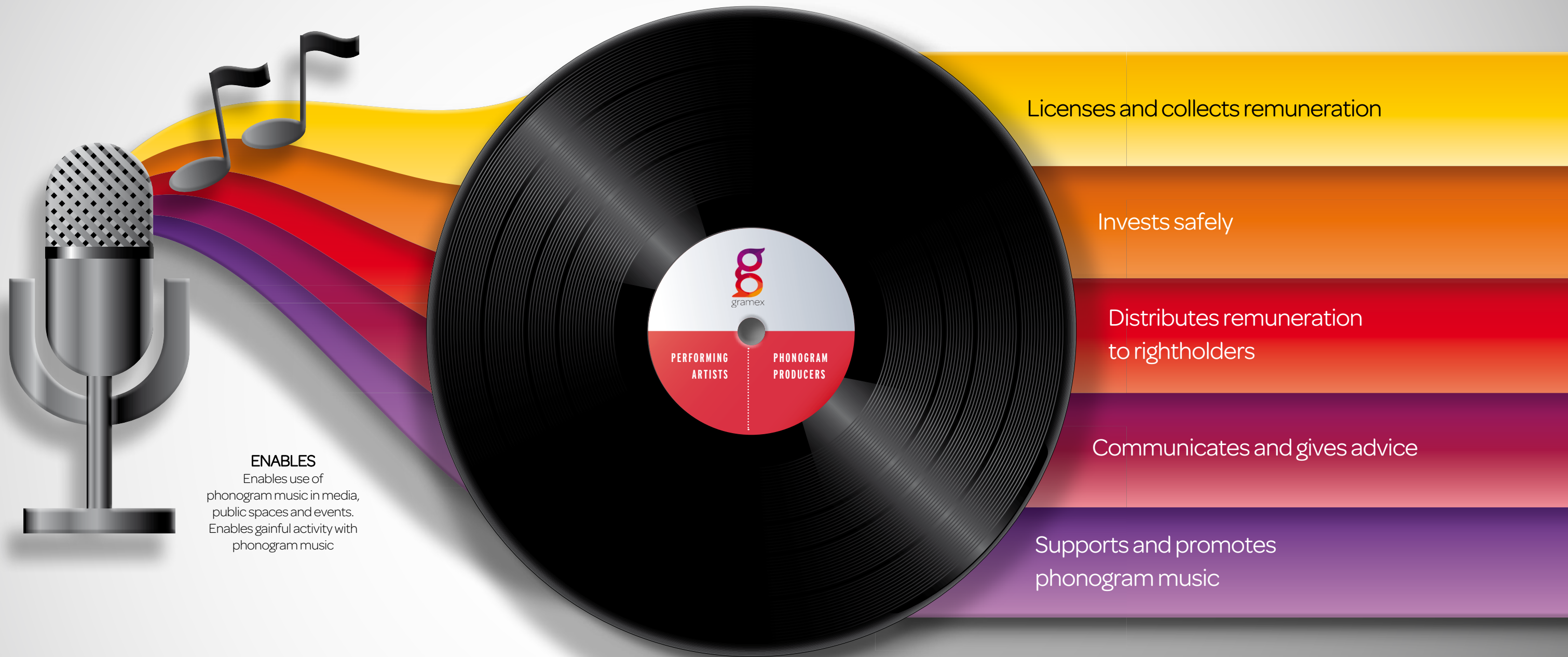
Gramex announced the launch of GT Music Licences by, among other things, sending a letter to the approximately 30,000 customers transferring under its services.

Gramexpress was published with a circulation of about 48,000 issues. The magazine included music-related articles and news from the music industry, the world of copyrights and Gramex.

Gramex managed shareholder and influencing operations partially on its own and partially through the Lyhty project or the Copyright Information and Anti-Piracy Centre. Gramex took part in the organisation of the main event of the Copyright Day and the World Intellectual Property Day.



Gramex offers licensing services that enable the usage of phonogram music and produce fair remuneration.



ENABLES
Enables use of phonogram music in media, public spaces and events. Enables gainful activity with phonogram music

RIGHTHOLDERS
63 000 client agreements

Distributes remuneration. 17,8 Million € in 2016 to 15 200 direct clients and to 30 000 musicians through other collective management organizations



USERS OF PHONOGRAM MUSIC
31 000 client agreements

Licenses and collects remuneration. Altogether 24,4 Million € in 2016. 11,2 million € from medialicensing and 9,7 million € from public performance

Gramex deploys a state-of-the-art distribution system

Gramex is in the process of renewing its entire distribution system in cooperation with the Austrian BIConcepts.

The combination of Finnish copyright administration expertise and Austrian information system expertise has aroused international interest.

The utilisation of the Apollo system co-created by Gramex and BIConcepts has already been discussed with various foreign copyright organisations.

The Apollo project of Gramex is progressing well, according to CEO **Thomas Gfall**.

"The project is progressing well; we are almost finished with data transfer from the previous Gramex system," he said at the beginning of February 2017. "The major challenge is to ensure that we do not simply transfer all data but also improve and strengthen it. It's an excellent time to clean up all the old data!"

When will Gramex start using the system with its tens of thousands of right-holders?

"Apollo is already used for the managements of customer accounts. The management of the phonogram database and allocating it to music performance events will be launched in February. All the future remuneration distributions will be carried out with Apollo."

MAJOR STEP FORWARD

According to Gfall, the new system entails great benefits compared to the old one. "Gramex decided to procure a new system in order to execute its required changes."

These days, individual songs are

published in addition to entire records. "We based the phonogram database on tracks, i.e. songs, to make it easier to work with digital publications."

"The distribution system, mandate management, exchange of information with other copyright organisations – all this has been updated to enhance work processes and comply with the new EU legislation," says Gfall.

The international cooperation in terms of the registers of copyright organisations is under development. "Direct integration with international databases will make it easier to keep the information up to date."

"Each cent, which may sometimes be subject to the most complicated of calculations, can now be traced precisely

through the system, and its delivery in the hands of the correct rightholder can be verified."

Have you made any corresponding systems for other organisations?

"BIConcepts has worked with the Austrian copyright organisation LSG for a number of years. That is why we have a great deal of experience on the daily business operations of copyright organisations."

Now, LSG is also planning to change its system to Apollo. "IMS, the system we developed for LSG six years ago, was based on the organisation's partly outdated system. We had to adjust ourselves to the manner in which LSG operated at the time. Since then, many things have changed; partly easier, partly more com-

plicated. After seeing Apollo, LSG has decided to accept it as its new system."

Various other organisations have also displayed interest towards Apollo. "We are currently negotiating with nearly ten other copyright organisations."

FRUITFUL COOPERATION

BIConcepts is primarily specialised in Business Intelligence, in other words the computerised analysis of data required for business operations. Gfall considers it extremely fruitful to combine two sets of know-how.

"Gramex is the best possible partner for us in the development of a high-quality system for copyright organisations. With

its expertise and desire for development, we have the chance to integrate modern technology and renowned know-how on copyright administration," says Gfall. "For example, analysis and reporting combining the fuzzy search of Apache Lucene with Business Intelligence software. As well as deep integration with the international Virtual Recording Database project."

The new system will improve customer service in a number of ways. "The customer account management system will enable the monitoring of all customer communications, and the self-service portal will provide Gramex customers with more transparency and enables better communication with producers and agents."



CEO of
Bi Concepts
Thomas Gfall



Staff of distribution department.

New, fresher look

Gramex changes its logo and renews its identity.

At the turn of the years 2016/2017, Gramex renewed its visual look. The look was designed by the experienced graphic designer Erkki Mikola.

The new logo is a lively, small, stylised G figure who appears to have a bird-like crest. The logo also entails an extensive, fresh colour palette.

TIME TO BE RENEWED

"The old look of Gramex was a child of its time. The logo designed in the 1970s needed some updating, and the timing seemed right," says **Erkki Mikola**.

"The operating environment, strategy and operating model are undergoing changes. This is an important reason to remove the cobwebs, freshen up and breathe new life into the style of Gramex. Updating the look is, above all else, a timely message of change to all shareholders. In addition, it coincides with the 50th anniversary of the organisation."

LIVELY g FIGURE

According to Mikola, the logo is based on the lower case letter g, the form of which reflects the operations of Gramex.

"The logo is based on stylised music notes, two turntables and stylised headphones. On the other hand, it also has the appearance of a section sign. In addition, the presence of a small human figure can be sensed in the design. There is also a wind instrument between the loops."

"The colours of a warm spectrum appear as a mosaic in the logo. The rich colours represent the diversity of music."

CUSTOMER COMES FIRST

"Times and operations change. Where the old logo was a sturdy fortress with a rigorous posture, the new logo is softer and more sympathetic."

For years, Gramex has been developing its services towards a more customer-oriented direction. The development

should also be reflected in the look. "The idea is to express the new operations that focus on the customer and to be more approachable."

WHAT ARE THE OTHER NEW VISUAL CHARACTERISTICS OF GRAMEX?

"The look is more modern. It has more layers," says Mikola. "The logo introduces an extensive, fresh colour palette. The look will also be freshened up with new, stylish illustrations."



Office in one space

The people of Gramex now work in one office instead of the previous three floors.



Heli Kosunen from Distribution department examines the covered wall.

The Gramex offices were extensively renovated. When ten employees transferred under GT Music Licences, placing the entire personnel in the same office became a viable option.

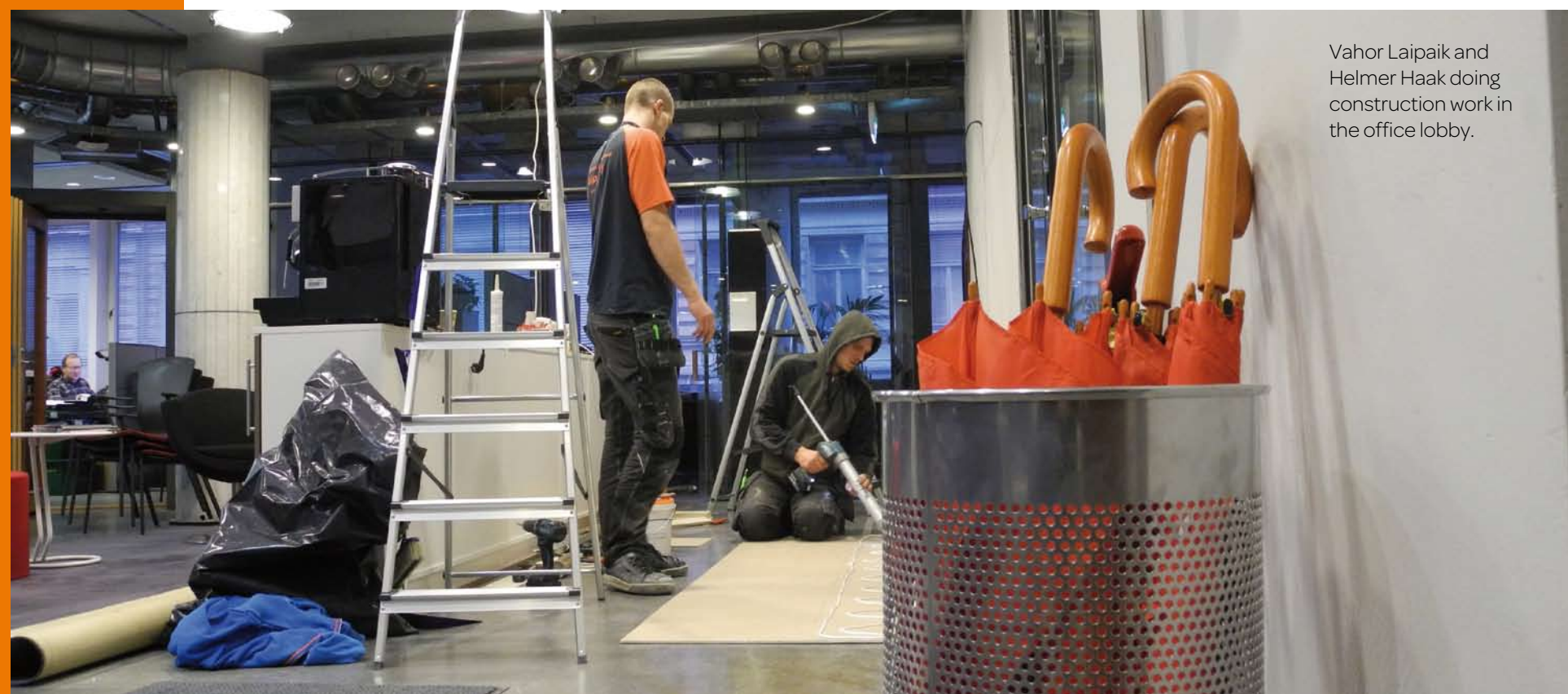
The space was also renovated. Now, Gramex has a spacious office full of natural light, and special attention has been paid to its acoustics. Most of the employees work in open-plan office-type facilities.

"When planning and executing the changes, we invested in the motivation of the employees," says **Marja Linna**, Financial Manager in charge of HR. "We have made excellent progress in this respect."

Ergonomically efficient desks equipped with electronic height adjustment were given to all the employees who were interested in them.

Previously, Gramex employees were scattered on three floors of the office building on Pieni Roobertinkatu.

Working in the same space will improve the flow of information and reduce rent costs. The visuals designed by graphic designer Erkki Mikola for Gramex were used in the decor and the colour palette.



Vahor Laipaik and Helmer Haak doing construction work in the office lobby.

Paul Meli from Restamax: Music is a strong force of ambience

Paul Meli is in charge of the music in 120 restaurants. According to him, good music planning is definitely an asset.

"Music is an essential part of the business operations in our industry," says **Paul Meli**, Line Manager at Restamax Oy. "Music enhances and creates the atmosphere in our restaurants, cafés and nightclubs."

Restamax is one of the largest catering groups in Finland. It operates 120 restaurants and bars all over Finland. A member of the management group, Paul Meli is in charge of the company's nightclubs and other entertainment.

"Music is particularly important in places such as Viihdemaailma Ilona, Circus and London. We invest in high-quality, front-row live performers from **Mikael Gabriel** to **Antti Tuisku** and **Lauri Tähkä**."

RESTAURANTS HAVE THEIR SHARE OF MUSIC

Some of the most extensively spread chains of Restamax include Wayne's Coffee, Stefan's Steakhouse, Classic American Diner, Daddy's Diner, Pizzeria Bella Roma and Colorado Grill.

Music also plays an important role in the atmosphere of these restaurants.

"When a customer enters a restaurant, the background music and the smell of food are the first things they sense," says Meli.

COMPETITIVE ASSET

Careful music planning is a competitive asset. "We have multifunctional restaurants where the music of each section is designed to suit its specific atmosphere."

Meli says that in his line of work, personal music preferences and tastes should not control the choices too much.

"The musical ambience is designed according to the use, to support the atmosphere of the location. Your personal taste in music should not be the primary concern in this design," says Meli.



Background music licensing made easier and faster

As Gramex wishes to make it easy to use music, we have set up a background music license shop in cooperation with Teosto.

"GT Music Licences is currently being built into a modern service company that operates efficiently in a digital environment," says CEO **Stefan Kajanus**.

From now on, customers can obtain their licenses to use background music from the Musiikkiluvat.fi online service. Customers can also check the prices of license products, view and update existing licenses and update their invoicing and customer information.

A personal customer services operates alongside this online service. "Our goals are an excellent customer experience and a multi-channel service where the customer can pick their preferred method and time to use our services."

"In the future, most of our customers will be able to obtain the licenses to use the music they need easily in one go and with one invoice."

INDIVIDUAL LOOK AND CULTURE

The office of GT Music Licences was opened in October 2016. A total of 21 employees from Gramex and Teosto transferred to this office. "Since the beginning of October, we have been managing the sales, customer service, invoicing and marketing of background music licenses on behalf of our owners and with the use of their information systems."

"The future personnel of GT Music Licences got to know one another and take part in the preparation of our business operations before even transferring to work for us. This has helped us create a functional cooperation," says Kajanus.

According to Kajanus, the company has an excellent atmosphere and the employees feel like a part of a community. "We are creating an individual operating policy for GT Music Licences and it will be something more than simply a copy of our owners. Our own organisational culture keeps evolving and enhancing."





Music magazine Gramexpress

The customer magazine of Gramex publishes latest music industry news.

The articles in the Gramexpress magazines covered the latest topics and professionals of the music industry, copyright policies and power players. Some of the writers included **Stefan Kajanus**, the new CEO of GT Music Licences Ltd, **Tuija Brax**, the new Chair of Gramex, and **Ilmo Laevuo**, the new CEO of Gramex. "I can hardly wait to get to work," said Laevuo concerning his level of motivation.

PERFORMERS AND PRODUCERS

Interviewees in the magazines included **Ida Paul**, **Paperi T**, **Aino Venna**, **Dj Orkidea**, **Mercedes Bentso**, **Hummorgruppen Kaj**, **Johanna Kurkela**, **Heikki Sarmanto**, **Tomi Pulkki** and **M.A. Numminen**.

"I want to speak about social issues," says Mercedes Bentso. "I rap about substance abuse, violence, unhealthy relationships, marginalisation, mental health issues, etc."

"I'm retired, which is why I'm so busy," says Mauri Antero Numminen. "Next year is starting to be fully booked with gigs, and once again I seem to have no time for creative work."

Pekka Sarmanto says he composes with pen and paper instead of a computer. "I hope the music travels straight from the heart, down my arm, through my fin-

gertips into the pencil and down onto the paper. There cannot be any mechanics in between, it just doesn't suit me."

Johanna Kurkela says she loves to sing. "It has been amazing to receive messages from people whose lives have been somehow impacted by my music."

Music is everything to her. "Music has always been a place to hide, a safe haven when facing the storms of life."

Tomi Pulkki, CEO of Svart Records, cheerfully described the release policy of the company. "We publish what we please; we don't limit ourselves to any particular genre. We like to surprise people."

COPYRIGHT POLITICS IN FINLAND...

Esteemed politicians were interviewed in the magazine regarding music and copyright issues.

According to **Tuomo Puumala**, Chair of the Finnish Parliament's Education and Culture Committee, education creates new growth. "Being educated and cultured is the foundation of humanity. This is especially apparent during hard times."

Antti Lindtman, Chair of the parliamentary group of the Social Democratic Party of Finland, listed some of the copyright reforms from past years. "In the autumn of 2014, the previous government renewed copyright legislation and agreed, for instance, upon the copyright compensations for private copying in a new manner by allocating a specific appropriation in the budget for the compensations."

"More recently, we had the positive news that lending compensations were

raised to the same level as in other Nordic countries in next year's budget."

...AND IN THE EU

Finnish Parliament also processes a number of EU-level copyright issues.

European music producers and performers have a joint project, demanding new rules and regulations for the digital world. Platform services such as YouTube can currently legally play music without agreements or compensations.

"YouTube competes with other content services but with an entirely different set of rules," says **Antti Kotilainen**, Executive Director of IFPI Finland.

"When Spotify pays approximately EUR 19 per user for music, YouTube pays 65 cents."

FINNISH SUMMER IS FILLED WITH MUSIC

The magazines also discussed the importance of festivals in Finnish summertime and the 90 years of YLE.

The story on YLE and its milestone of 90 years was extensive. According to **Jorma Hietamäki**, Music Director of YLE, contrary to popular belief, the citizens' taste in music is not dependent on their place of residence. "A study in music tastes tells us your postal code does not determine your taste in music."

Drummer **Reiska Laine** says he has visited Pori Jazz every year. For him, drums and jazz come first. "The idea behind jazz is to play according to your mood and what you're experiencing in the moment".



Financial Statements

Profit and loss statement 1.1. - 31.12.2016

	2016 / Eur	2015 / Eur
Revenue		
Other revenue	11 084,67	9 165,33
Total revenue	11 084,67	9 165,33
Expenses		
Personnel expenses	-2 098 635,50	-2 040 316,21
Depreciation	-172 860,43	-201 801,32
Other expenses	-1 474 361,54	-1 033 706,88
Total expenses	-3 745 857,47	-3 275 824,41
Administration expenses deduction	3 734 772,80	3 266 659,08
Promotion activities		
Transfer from investments and financing activities	56 311,81	694 245,51
Other expenses related to promotion activities	-2 597 319,09	-11 609 885,91
Total expenses for promotion activities	-2 541 007,28	-10 915 640,40
Covered by promotion activities reserve	2 541 007,28	10 915 640,40
SURPLUS/DEFICIT	0,00	0,00
Separate project activities		
Revenue	76 166,00	77 166,00
Expenses	-67 178,81	-64 477,27
Surplus	8 987,19	12 688,73
Transfer from the previous financial period	29 283,47	16 594,74
Total	38 270,66	29 283,47
Transfer to the following financial period	-11 675,92	-29 283,47
Transfer to support activities	-26 594,74	0,00
Separate project activities total	0,00	0,00
Investment and financing activities		
Revenue	981 109,62	3 046 934,55
Transfer to remuneration payments	-924 797,81	-2 352 689,04
Transfer to the promotion activities reserve	-56 311,81	-694 245,51
	0,00	0,00
SURPLUS (DEFICIT) FOR THE FINANCIAL PERIOD	0,00	0,00

Balance Sheet 1.1. - 31.12.2016

	2016 / Eur	2015 / Eur
ASSETS		
FIXED ASSETS		
Intangible assets		
Other long-term expenditure		
IT systems	302 703,03	244 032,37
Major improvements	35 738,96	1 391,78
Intangible assets total	245 424,15	338 441,99
Tangible assets		
Machinery and equipment	203 983,70	144 247,46
Other tangible assets	550,00	0,00
Tangible assets total	204 533,70	144 247,46
Investments		
Shares in real estate companies	433 100,03	433 100,03
Shares in holdings	50 000,00	50 000,00
Shares in equity funds and index funds	5 090 723,09	5 685 333,27
Bond funds	13 894 420,84	14 203 280,54
Bonds	5 624 770,36	6 536 580,08
Real estate funds	2 108 369,21	2 100 000,00
Total investments	27 201 383,53	29 008 293,92
TOTAL FIXED ASSETS	27 744 359,22	29 397 965,53
CURRENT ASSETS		
Receivables		
Short-term receivables		
Short-term investments	1 223 180,27	1 730 847,19
Loan receivables	1 250 000,00	350 000,00
Accounts receivable	1 107 225,73	969 868,11
Accrued income	2 152 659,48	1 824 984,98
Total short-term receivables	5 733 065,48	4 875 700,28
Bank and cash	3 272 747,53	389 746,12
TOTAL CURRENT ASSETS	9 005 813,01	5 265 446,40
TOTAL ASSETS	36 750 172,23	34 663 411,93
EQUITY AND LIABILITIES		
EQUITY		
Promotion activities reserves	654 913,76	3 195 921,04
OBLIGATIONS AND PROVISIONS		
Long-term obligations	585 348,06	639 880,43
TOTAL OBLIGATIONS AND PROVISIONS	585 348,06	639 880,43
LIABILITIES		
Short-term		
Unpaid remuneration liabilities		
remuneration for performances	22 732 292,30	22 325 098,92
remuneration for phonograms	3 737 053,20	2 680 721,95
private copying levies	1 503 760,55	0,00
	27 973 106,05	25 005 820,87
Accounts payable	196 733,96	91 319,11
Other remuneration liabilities	6 806 160,54	5 270 421,23
Other short-term liabilities	312 521,80	148 807,80
Accrued expenses and liabilities	221 388,06	311 241,45
TOTAL LIABILITIES	35 509 910,41	30 827 610,46
TOTAL EQUITY AND LIABILITIES	36 750 172,23	34 663 411,93

Notes to the Financial Statements

Accounting principles:

1) Valuation of tangible and intangible assets
Fixed assets are capitalised on balance sheet at direct acquisition cost less planned depreciation. Planned depreciation for tangible assets has been calculated as reducing balance depreciation and depreciation for intellectual property rights has been calculated as straight-line depreciation. Planned depreciation is calculated in accordance with the legislation on taxation of income of business activity.

2) Reserves

The promotion activities reserves are made up of statute-barred remuneration liabilities and the proportion of investment income that has been transferred to the reserves. The use of funds in reserves and their realised yield are allocated to the capital of the reserve. Transfers to reserves and the use of reserves are presented in the financial statements as a separate line item before the line item for surplus/deficit for the financial period.

3) Remuneration liabilities

The accrued and paid remunerations have been entered directly as an increase or decrease in short-term liabilities.

	2016 / Eur	2015 / Eur
Revenue and expenses in profit and loss statement and transfer of funds		
Total revenue	4 803 133,09	6 399 924,96
Total expenditure	-6 363 030,75	-14 268 630,81
Use of the promotion activities reserve	2 541 007,28	10 915 640,40
Transfers of investment income to remuneration payments and reserves	-981 109,62	-3 046 934,55
	0,00	0,00
1. Personnel expenses		
Wages and salaries	1 721 474,07	1 675 150,83
Pension expenses	309 890,21	299 932,16
Other social security expenses	67 271,22	65 233,22
Total	2 098 635,50	2 040 316,21
Other personnel expenses	124 331,77	126 520,71
Average number of employees		
Regional representatives	3	3
Office	29	29
Total	32	32
2. Material items in other expenses		
Professional services and other outsourced services	377 650,35	225 997,90
Travel costs and car expenses	142 720,06	133 832,84
Communication activities	209 943,99	185 820,62
ICT expenses	131 682,42	140 194,23
Rents	254 120,57	0,00
Other expenses	233 912,38	347 861,29
Total	1 350 029,77	1 033 706,88
3. Revenue and expenses related to special purpose activities		
3.1 Promotion activities		
Other promotion activities total	-2 541 007,28	-10 915 640,40
Covered by promotion activities reserve	2 541 007,28	10 915 640,40
	0,00	0,00
3.2 Lyhty project		
Revenue	76 166,00	77 166,00
Expenditure	-64 178,81	-64 477,27
	8 987,19	12 688,73
4. Investment and financing activities		
Income/expenses	391 673,40	801 645,99
Profit/loss on realisation	630 070,94	2 228 189,58
Increase/decrease in value	-40 634,72	17 098,98
Transfer to remuneration payments	-924 797,81	-2 352 689,04
Transfer to promotion activities reserve	-56 311,81	-694 245,51
	0,00	0,00
5. Intangible and tangible assets		
5.1. Long-term IT expenses		
Straight-line depreciation/25% depreciation		
Acquisition cost 1 January	1 911 912,60	1 819 438,60
increase	153 210,00	92 474,00
Acquisition cost 31 December	2 065 122,60	1 911 912,60
Accumulated depreciation	-1 667 880,23	-1 515 553,20
	397 242,37	396 359,40
Depreciation 31 December	-94 539,34	-152 327,03
Balance sheet value 31 December	302 703,03	244 032,37
5.2. Major improvements		
Straight-line depreciation (5 years)		
Acquisition cost 1 January	77 847,16	77 847,16
increase	44 673,70	0,00
decrease	0,00	0,00

	2016 / Eur	2015 / Eur
Acquisition cost 31 December	122 520,86	77 847,16
Accumulated depreciation	-76 455,38	-75 063,58
	46 065,48	2 783,58
Depreciation 31 December	-10 326,52	-1 391,80
Balance sheet value 31 December	35 738,96	1 391,78
5.3. Machinery and equipment		
Reducing balance depreciation 25%		
Acquisition cost 1 January	936 379,42	934 928,54
increase	127 730,81	23 950,88
decrease	0,00	-22 500,00
Acquisition cost 31 December	1 064 110,23	936 379,42
Accumulated depreciation	-792 131,96	-744 049,47
	271 978,27	192 329,95
Depreciation 31 December	-67 994,57	-48 082,49
Balance sheet value 31 December	203 983,70	144 247,46
5.4. Other tangible assets		
No depreciation		
Acquisition cost 1 January	0,00	0,00
increase	550,00	0,00
Acquisition cost 31 December	550,00	0,00
5.5 Depreciation for the financial period		
Equipment	-67 994,57	-48 082,49
Major improvements and long-term expenditure	-104 865,86	-153 718,83
	-172 860,43	-201 801,32
6. Investments in fixed assets		
Shares in real estate companies	433 100,03	433 100,03
Shares in holdings	50 000,00	50 000,00
Equity funds	5 090 723,09	5 685 333,27
Bond funds	13 894 420,84	14 203 280,54
Bonds	5 624 770,36	6 536 580,08
Real estate funds	2 108 369,21	2 100 000,00
	27 201 383,53	29 008 293,92
6.1. Other holdings	Share of ownership in a company	
GT Music Licences Ltd, Helsinki	50%	50%
7. Short-term receivables		
7.1. Short-term investments		
Bonds	993 935,94	1 114 941,75
Other short-term investments	229 244,33	615 905,44
	1 223 180,27	1 730 847,19
7.2. Loan receivables		
Partnership loan receivable	1 250 000,00	350 000,00
7.3. Investment securities		
Replacement cost	30 183 571,27	32 219 160,83
Book value	27 941 463,77	29 906 276,06
Difference	2 242 107,50	2 312 884,77
8. Material items in accrued income		
Interest receivables	137 895,36	186 260,42
Administration expenses deduction	1 835 723,53	1 456 615,25
Other accrued income	179 040,59	182 109,31
	2 152 659,48	1 824 984,98
9. Promotion activities reserves		
Balance 1 January	3 195 921,04	12 428 243,57
Statute-barred remuneration liabilities	0,00	1 683 317,87
Refund of earlier granted support	0,00	-3 834,38
Transfer from investment income 2016	56 311,81	694 245,51
Donations to music promotion activities	-2 412 906,34	-11 443 590,63
Other promotion activities	-184 412,75	-162 460,90
	654 913,76	3 195 921,04
10. Long-term obligations		
Balance 1 January	639 880,43	606 417,27
Transfer to remuneration liabilities	-106 027,26	-210 333,83
Other change	51 494,89	243 796,99
Total	585 348,06	639 880,43
12. Material items in accrued charges and deferred credits		
Holiday pay liabilities	175 881,34	269 158,00
Other accrued charges and deferred credits	45 506,72	42 083,45
	221 388,06	311 241,45
13. Liabilities		
Rent liabilities		
Payments to be made in the next financial period	165 480,00	367 920,00
To be paid later	496 440,00	661 920,00
Total	661 920,00	1 029 840,00

