



ANNUAL REVIEW 2020

GRAMEX - THE COLLECTIVE MANAGEMENT ORGANISATION
FOR RECORDED MUSIC IN FINLAND



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MANAGING DIRECTOR'S REVIEW

Towards the future

The past year was exceptional for the music industry, for clients using music and for Gramex Finland.

COVID-19 had a devastating effect on the finances of the Finnish music sector in 2020. According to Music Finland, losses in domestic and export revenue amounted to more than EUR 250 million. Since concert and live music revenues crashed, the relative significance of Gramex remunerations to our rightsholders grew. Gramex was very aware of this and did everything it could.

The distributions were accelerated and the decrease in collected remunerations was compensated by cutting costs. The year's final result was badly bruised by the virus, but it was still clearly better than we had feared in the spring.

Gramex performed quite well even during the exceptional and difficult year. The lower expense percentage, efficient remote working and technical progress in the more efficient use of metadata brought light into the darkness.

Gramex worked remotely full-time until the beginning of August and then switched to working remotely most of the time. We were even better equipped for remote working than we had expected, both in terms of technical capabilities and our ability to make use of these capabilities.

We learned a lot from remote working. It turned out that developing thoughts into new ideas and innovative implementations in creative interaction between different professionals is very challenging remotely, which makes it difficult to keep up continuous development.

Nonetheless, the change brought on by distance work helped develop procedures supporting the new way of working. This also broadened our understanding of how to make future use of remote working equipment to streamline functions, how to prevent the spread of harmful infections within the organisation, how to cut down travel costs and how to enable even better interaction between us and our rightsholders around Finland through remote communications. Every cloud has a silver lining.

ILMO LAEVUO
Managing Director



"If you don't know me, you might say my music has changed."

Jesse Markin
Gramexpress 4/2020

"I get so much energy from making music and gigs make me feel high."

Alma
Gramexpress 2/2020

Year 2020 in numbers

57 883

Rightsholder client agreements

Change from previous year
+ 1 709

31 000 +

Locations using music

Same as before

22.5 million €

Remunerations collected during the business year

- 1.1 million €

15.6 %

Effective administrative expense percentage

- 0.3 percentage points

1.39 million

Phonograms in Gramex's phonogram database

+ 20 000

19.3 million €

Remunerations paid to rightsholders

- 0.5 million €

◆ 8.5 million to performers

- 1.1 million €

◆ 10.8 million to producers

+ 0.6 million €

16 703

Rightsholders receiving direct remunerations

+ 584

23 000 +

Also over 23 000 payments to performers through foreign organisations

+ 3 000

“Music is not something to me, it’s a part of me.”

BEHM

Gramexpress 3/2020



Gramex’s year in brief

Serving as a link. Gramex Finland serves as a link between rightsholders and users of recorded music. At the end of the year, Gramex had 57 883 client agreements with rightsholder clients and over 31 000 music-using businesses as customers. The number of rightsholder client agreements grew by 1709.

EUR 22.5 million in remunerations. Gramex remunerations are collected for the use of phonogram music in media and events and as background music, among others. The highest remunerations were accrued from the background music sector (8.7 million), radio and television use (8.1 million), internet and network use (3.4 million) and from compensations for private copying (1.1 million).

Distributions amounted to EUR 19.3 million. Three distributions were carried out during the year. The distributed remunerations amounted to altogether EUR 19.3 million. EUR 8.5 million of this went to performer clients and EUR 10.8 million to producer clients.

Effective expense percentage fell. The ‘effective administrative expense percentage’ illustrating the efficiency of the operations fell to 15.6 per cent (-0.3 percentage points). The expense percentage of the distribution remained at 16.2%. The recipients of the remunerations also received an investment income reimbursement of 1.5 per cent.

Gramex modernised its name. A remnant of the sixties, Gramex’s old official name “Gramex ry, the Copyright Society of Performing Artists and Phonogram Producers in Finland” was laid to rest. The new modernised name is “Gramex – The Collective Management Organisation for Recorded Music in Finland”.

Personnel and board. Gramex had 21 employees at the end of the year 2020, 11 of them men and 10 women. The board consisted of the Chair and three representatives of the performers and three representatives of the producers: Tuija Brax (Chair), Antti Kotilainen (Vice Chair), Ahti Vääntinen (Vice Chair), Matti Lappalainen, Mikko Manninen, Kimmo Valta-
nen, and until 22 December Lottaliina Pokkinen and thereafter Juho Viljanen.

Active development. Several development projects were advanced during the year. They concerned, among others, Gramex’s online shop, licensing products and the MyGramex portal mobile app. Summer 2020 saw the completion of a development project as a result of which each rightsholder performing on a phonogram will from now on receive a compilation of the phonogram report submitted to Gramex. A project for the more accurate identification and distribution of background music was also commenced.

Trailblazer in metadata. Gramex was one of the first organisations to take the international RDX metadata hub into use. Among copyright organisations, Gramex has been acknowledged as a trailblazer in international development. Gramex is part of the international pilot group of the RDX project as well as of the DDEX community. ▶

Gramex modernised its official name, unchanged since the sixties, into “Gramex – The Collective Management Organisation for Recorded Music in Finland”.



With over 48 000 addressed recipients, Gramex's customer magazine Gramexpress is one of the largest music magazines in Finland.

"It's a kind of shake-your-booty relationship pop rock," Irina describes her musical style.

Irina
Gramexpress 4/2020

► **Port of Music project.** In 2019, nine music industry organisations decided to share office spaces. Gramex and Teosto coordinated the large premises project, which caused a lot of work to Gramex during 2020. The new offices were named "Port of Music".

Multi-channel communication. Gramex's operations were introduced in new ways. The printed annual review was this time accompanied by a video. Digital communications were developed through newsletters and DigiGramexpress. For example, around 200 Facebook updates were posted during the year. Gramex took part in organising the renewed CDAY campaign.

For music. Gramex engaged in the supervision of interests as a part of both Music Finland and the LYHTY project. The focus was on the implementation of the value gap directive, problems in performers' unemployment benefits, compensations for COVID-19 restrictions, compensation for private copying and the establishment of the extensive Creative Business Finland network.

Help in the midst of the pandemic

COVID-19 affected Gramex and the entire music industry in many ways. Gramex aimed to alleviate the industry's struggle in the midst of the pandemic in several ways.

To ease the financial problems brought on by the pandemic, the spring distribution was brought forward by one month. An extra distribution and payment, mainly to producers, was carried out in August.

Gramex also launched a financial support package of approximately one million through music sector foundations. This support could be applied for through the corona application of the Finnish Musicians' Union, for example.

Because of the virus outbreak, the amount of remunerations collected for background

music fell by EUR 1.16 million and the remunerations for media licensing by EUR 334 000. Since the remuneration from abroad simultaneously rose by EUR 388 000, the total reduction amounted to EUR 1.1 million.

To be able to distribute as much as possible in remunerations despite the lower sum collected, Gramex took several temporary cost-saving measures. Thanks to them, the amount of remunerations distributed only fell by EUR 0.5 million from the previous year.

Gramex started working remotely in mid-March. In the beginning of August, a hybrid model was introduced whereby the staff could safely work partly at the office and partly remotely. As of mid-March, even customer service was managed remotely. ■





Gramex is a world leader in metadata

Gramex was one of the world's first three copyright organisations to take the international RDx metadata system into use.

“When a song is playing on the radio, the international network of copyright organisations must be able to ensure that a remuneration is paid to the phonogram’s rightsholders, even if they are on the other side of the globe,” says Tuomas Talonpoika, Director of Gramex Finland’s Rightsholders Unit.

“This requires a large amount of different data in a format which enables the identification of used phonograms and the producers who are entitled to receive the remunerations.”

A global metadata hub called RDx is being developed for this purpose. Tuomas Talonpoika from Gramex is a member of this international project’s Advisor Board.

The new RDx data exchange service has now been taken into production use in three Gramex organisations. One of them is Gramex Finland.

Faster retrieval of information

An international metadata service makes it easier and faster to process especially such cases in which Gramex does not have the phonogram and up-to-date rightsholder information.

Through the RDx hub, the data of newly released phonograms are at Gramex’s disposal faster than before.

The service also enables ordering automatic updates on earlier phonogram data in the event of, for example, changes in the holder of producer rights.

Years’ worth of work in one day

International RDx metadata helps when own data is not enough and the amounts of data are vast.

“If the phonogram’s identification data and rightsholder information are incomplete, we cannot distribute money to anyone,” Talonpoika says.

If a phonogram is not identified, for example, the remunerations will wait for further investigation.

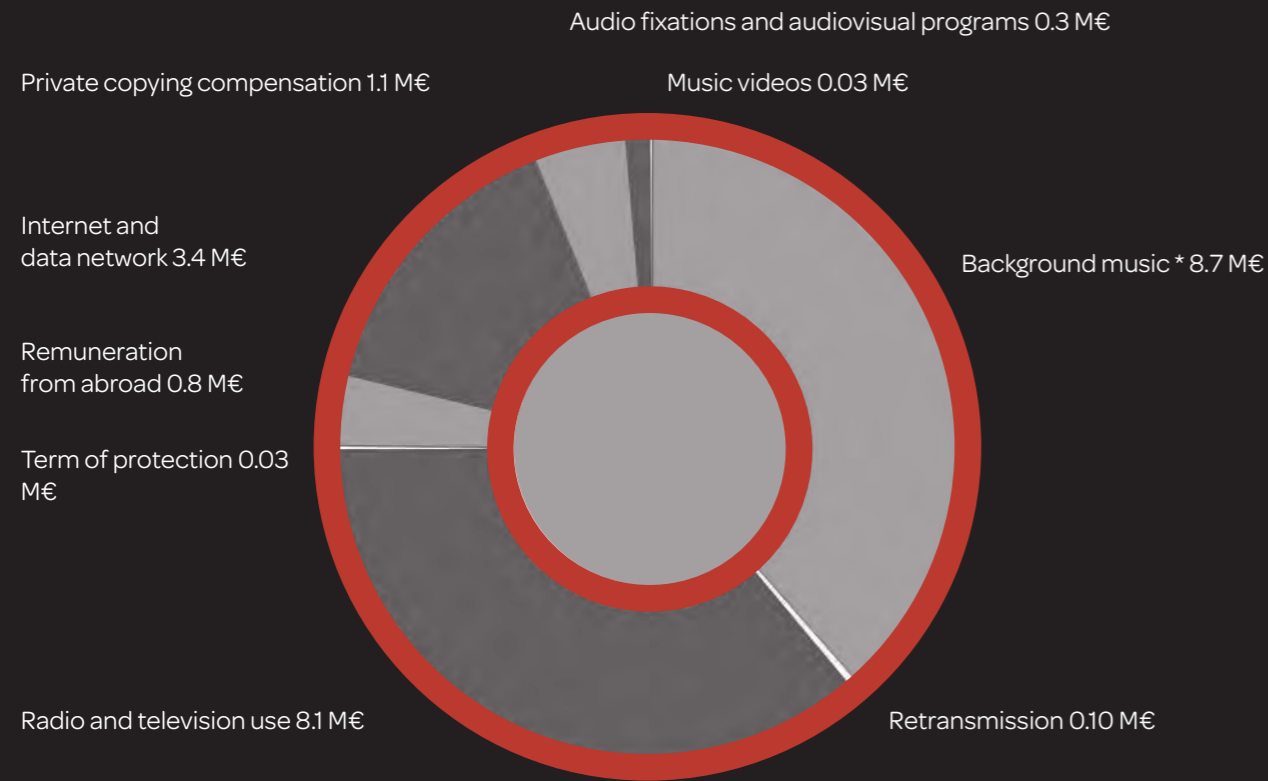
“If the phonogram’s identification data and rightsholder information are found in the hub’s metadata, work that previously took months or years can be done in a matter of minutes or days.”

The aim is that in the future the RDx will also be used to convey the identification data of musicians performing on the phonogram.

DEVELOPMENT PROJECTS

Through the new RDx hub, the metadata of newly released phonograms are at Gramex’s disposal faster than before.

Rights revenue 2020



The highest remunerations were accrued from the background music sector (8.7 million), radio and television use (8.1 million), internet and data network use (3.4 million) and from private copying compensation (1.1 million).

“That could really power up the guitar.”

Jouni Hynynen
Gramexpress 3/2020

Copyright revenues 2020 by sector:

Background music*	8 669 280,40 €
Retransmission	95 113,58 €
Radio and television use	8 100 572,72 €
Term of protection	45 924,81 €
Remuneration from abroad	818 934,86 €
Internet and data network	3 394 625,16 €
Private copying compensation	1 076 656,33 €
Audio fixations and audiovisual programs	271 478,51 €
Music videos	31 444,51 €
Total	22 504 030,87 €

* Background music here refers to the entire sector of background music, including remunerations for both performance and recording.



REMUNERATIONS FROM ABROAD

Remunerations are collected from more countries than before, faster and in larger amounts

Gramex remunerations from abroad doubled

In 2020, musicians' and producers' remunerations from abroad amounted to a total of EUR 818 934. This was nearly twice as much as in 2019, when these remunerations amounted to EUR 431 088.

Thanks to its new Apollon rights management system, Gramex Finland is able to put more effort into tracing uses and justifying claims for compensation.

Majority to musicians

"The majority of the remunerations went to musicians, and the major part of those is for the performance of classical music," says Director Tuomas Talonpoika from Gramex's Rightsholders Unit.

Remunerations to producers originated from seven and to musicians from as many as twenty-six foreign organisations.

"The remunerations mainly came from traditional radio use, internet radio and public performance, as well as private copying compensation," Talonpoika sums up.

"These remunerations have accrued over several years."

"Large sums were received from Germany, the United States and France, among others," says Development Manager Kari Niemelä.

Time-consuming job

The new Apollon system automates routine processes and makes them more effective. It also allows staff to focus on challenging investigations.

Gramex developed Apollon together with the Austrian BIConcepts, and it has since been bought by several other copyright organisations.

"Remunerations are collected from more countries than before, faster and also in larger amounts," Niemelä says.

Data is important in making claims

"The remuneration management system makes better use of automation in the processing of data regarding use abroad. Data on phonograms played abroad have also been collected and actively entered in Gramex's phonogram register.

Having up-to-date and comprehensive phonogram data is crucial when remunerations are claimed from outside of Finland.

"In practice, data on the artist and/or producer of each track have to be delivered to the foreign copyright organisation."



“My point has always been that everyone gets to be themselves. I want to encourage people to ignore what other people say.”

CLEDOS
Gramexpress 3/2020

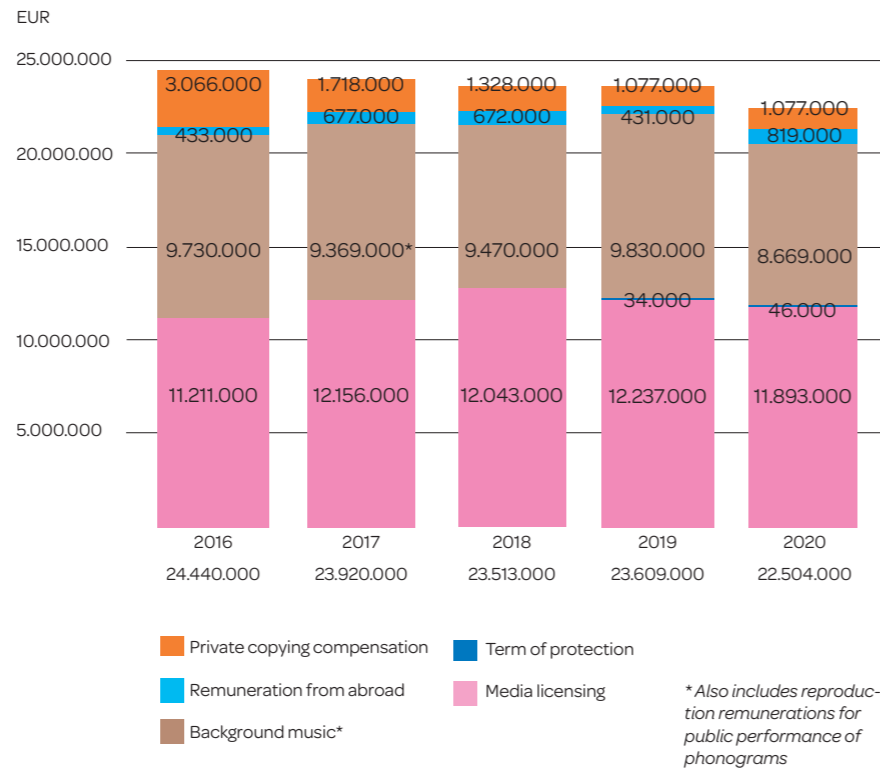


“You should just live in the moment and enjoy what you’ve got.”

Gettomasa
Gramexpress 1/2020

Gramex’s remunerations collected 2016-2020

Because of COVID-19, the amount of remunerations collected by Gramex fell by EUR 1.1 million from the previous year. Remunerations for background music (EUR -1 161 000) were hit worst by COVID-19, followed by media licensing (EUR -334 000). The amount of remunerations from abroad, in turn, rose by EUR 388 000.



“For me, music is a conveyor of emotions.”

Antti Tuisku
Gramexpress 1/2020



FINANCIAL
STATEMENTS
1.1. - 31.12.2020

**PROFIT AND LOSS STATEMENT
(EUR)**

	2020	2019
Revenue		
Other revenue	20 261,20	35 810,93
Total revenue	20 261,20	35 810,93
Expenses		
Personnel expenses	-1 590 806,35	-1 615 915,19
Depreciations	-175 526,02	-192 462,71
Other expenses	-1 768 631,99	-1 980 889,31
Total expenses	-3 534 964,36	-3 789 267,21
Administration expenses deduction	3 514 703,16	3 753 456,28
Promotion activities		
Transfer from investments and financing activities	21 973,23	15 658,80
Statute-barred remuneration liabilities	3 547 747,38	2 404 569,00
Other expenses related to promotion activities	-3 865 450,70	-2 481 638,02
Total expenses for promotion activities	-295 730,09	-61 410,22
Covered by promotion activities reserve	295 730,09	61 410,22
SURPLUS/DEFICIT	0,00	0,00
Investment and financing activities		
Income / Expenses	2 042 822,77	1 115 053,64
Transfer to remuneration payments	-1 177 199,95	-651 313,73
Transfer to later conclusion	-843 649,59	-448 081,11
Transfer to the promotion activities reserve	-21 973,23	-15 658,80
	0,00	0,00
SURPLUS (DEFICIT) FOR THE FINANCIAL PERIOD	0,00	0,00

BALANCE SHEET (EUR)

	31.12.20	31.12.19
ASSETS		
FIXED ASSETS		
Intangible assets		
IT systems	189 859,12	274 563,64
Major improvements	5 451,22	19 837,30
Intangible assets total	195 310,34	294 400,94
Tangible assets		
Machinery and equipment	86 226,11	114 968,15
Other tangible assets	550,00	550,00
Tangible assets total	86 776,11	115 518,15
Investments		
Shares and equity	483 100,03	483 100,03
Investment portfolios	24 461 020,39	25 938 061,94
Real estate funds	0,00	2 142 134,54
Total investments	24 944 120,42	28 563 296,51
TOTAL FIXED ASSETS	25 226 206,87	28 973 215,60
CURRENT ASSETS		
Long-term receivables		
Loan receivables	950 000,00	1 250 000,00
Total long-term receivables	950 000,00	1 250 000,00
Short-term receivables		
Accounts receivable	1 315 537,17	2 316 782,57
Loan receivables	300 000,00	0,00
Short-term investments	0,00	309 348,00
Other receivables	35 164,83	14 527,21
Accrued income	1 489 408,15	1 679 548,16
Total short-term receivables	3 140 110,15	4 320 205,94
Bank and cash	5 338 277,90	1 929 406,43
TOTAL CURRENT ASSETS	9 428 388,05	7 499 612,37
TOTAL ASSETS	34 654 594,92	36 472 827,97

EQUITY AND LIABILITIES

EQUITY

Promotion activities reserves		
Promotion activities reserves	267 888,51	563 618,60
Total promotion activities reserves	267 888,51	563 618,60
TOTAL EQUITY	267 888,51	563 618,60

LIABILITIES

Short-term liabilities		
Remuneration liabilities (invoiced, investment income)	17 844 024,19	18 854 966,94
Remuneration liabilities in payment process	15 123 237,52	15 634 959,94
Accounts payable	105 341,62	120 997,17
Other liabilities	824 654,95	927 304,93
Accrued expenses and liabilities	489 448,13	370 980,39
Total short-term liabilities	34 386 706,41	35 909 209,37
TOTAL LIABILITIES	34 386 706,41	35 909 209,37
TOTAL EQUITY AND LIABILITIES	34 654 594,92	36 472 827,97

NOTES TO
THE FINANCIAL
STATEMENTS

Accounting principles:

The financial statements have been drawn up in accordance with the provisions of Government Decree (1753/2015) on the information presented in the financial statements of a small undertaking and micro-undertaking.

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.

	2020	2019
Notes to the profit and loss statement		
Revenue and expenses in profit and loss statement and transfer of funds		
Total revenue	5 577 787,13	4 904 320,85
Total expenditure	-3 830 694,45	-3 850 677,43
Use of the promotion activities reserve	295 730,09	61 410,22
Transfers of investment income to remuneration payments, reserves and later closed items	-2 042 822,77 0,00	-1 115 053,64 0,00
Remunerations collected		
Collected remunerations	22 504 030,87	23 609 142,54
Transfer to remuneration liabilities	-22 504 030,87 0,00	-23 609 142,54 0,00
1. Personnel expenses		
Wages and salaries	1 370 054,41	1 376 666,27
Pension expenses	183 128,09	218 226,66
Other social security expenses	37 623,85	21 022,26
Total	1 590 806,35	1 615 915,19
Average number of employees		
Regional representatives	0	0
Office	22	21
Total	22	21
2. Material items in other expenses		
Voluntary social security expenses	63 783,74	108 780,72
Professional services and other outsourced services	1 051 477,60	1 083 986,95
Travel costs and car expenses	3 040,99	71 298,82
Communication activities	165 445,67	183 971,45
ICT expenses	218 952,39	234 036,91
Rents	169 959,36	168 321,14
Other expenses	95 972,24	130 493,32
Total	1 768 631,99	1 980 889,31

	2020	2019
3. Revenue and expenses related to special purpose activities		
3.1 Promotion activities		
Other promotion activities total	-295 730,09	-61 410,22
Covered by promotion activities reserve	295 730,09 0,00	61 410,22 0,00
4. Investment and financing activities		
Income/expenses	2 164 306,18	598 785,55
Increase/decrease in value	-121 483,41	516 268,09
Transfer to remuneration payments	-1 177 199,95	-651 313,73
Transfer to later conclusion	-843 649,59	-448 081,11
Transfer to the promotion activities reserve	-21 973,23	-15 658,80
	0,00	0,00
Notes on balance sheet items		
5. Intangible and tangible assets		
5.1. Long-term IT expenses		
Straight-line depreciation		
Acquisition cost 1 January	2 426 735,35	2 367 133,60
increase	47 693,38	59 601,75
Acquisition cost 31 December	2 474 428,73	2 426 735,35
Accumulated depreciation	-2 152 171,71	-2 012 417,75
	322 257,02	414 317,60
Depreciation 31 December	-132 397,90	-139 753,96
Balance sheet value 31 December	189 859,12	274 563,64
5.2. Major improvements		
Straight-line depreciation (5 years)		
Acquisition cost 1 January	149 777,29	149 777,29
increase	0,00	0,00
Acquisition cost 31 December	149 777,29	149 777,29
Accumulated depreciation	-129 939,99	-115 553,96
	19 837,30	34 223,33
Depreciation 31 December	-14 386,08	-14 386,03
Balance sheet value 31 December	5 451,22	19 837,30
5.3. Machinery and equipment		
Reducing balance depreciation 25%		
Acquisition cost 1 January	1 130 939,64	1 130 939,64
increase	0,00	0,00
Acquisition cost 31 December	1 130 939,64	1 130 939,64
Accumulated depreciation	-1 015 971,49	-977 648,77
	114 968,15	153 290,87
Depreciation 31 December	-28 742,04	-38 322,72
Balance sheet value 31 December	86 226,11	114 968,15
5.4. Other tangible assets		
No depreciation		
Acquisition cost 1 January.	550,00	550,00
increase	0,00	0,00
Acquisition cost 31 December	550,00	550,00
5.5 Depreciation for the financial period		
Equipment	-28 742,04	-38 322,72
Major improvements and long-term expenditure	-146 783,98	-154 139,99
	-175 526,02	-192 462,71

	2020	2019
6. Investments		
6.1. 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	4 405 462,43	4 670 365,10
Bond funds	16 830 268,22	21 267 696,84
Alternative	3 225 289,74	2 142 134,54
	24 944 120,42	28 563 296,51
6.2. Short-term investments		
Short-term investments	0,00	309 348,00
	0,00	309 348,00
6.3. Total investment securities		
Replacement cost	25 470 947,85	30 651 057,55
Book value	24 461 020,39	28 389 544,48
Difference	1 009 927,46	2 261 513,07
		Shareholding in the company
6.4. Other holdings		
GT Music Licences Ltd, Helsinki	50 %	50 %
7. Loan receivables		
Partnership loan receivable	1 250 000,00	1 250 000,00
8. Material items in accrued income		
Interest receivables	3 662,55	7 975,18
Administration expenses deduction	1 480 669,60	1 591 932,55
Other accrued income	5 076,00	79 640,43
	1 489 408,15	1 679 548,16
9. Promotion activities reserves		
Balance 1 January	563 618,60	566 527,70
Statute-barred remuneration liabilities	3 547 747,38	2 404 569,00
Transfer from investment income levies for provisions	0,00	0,00
Transfer to remuneration payments	-1 414 504,16	-810 098,00
Transfer from investment income	21 973,23	15 658,80
Donations to music promotion activities	-2 128 646,33	-1 487 818,17
Other promotion activities	-322 300,21	-125 220,73
	267 888,51	563 618,60
10. Material items in accrued charges and deferred credits		
Holiday pay liabilities	221 856,82	195 876,50
Other accrued charges and deferred credits	267 591,31	175 103,89
	489 448,13	370 980,39
11. Liabilities (voucher 1 for notes to the financial statements)		
Rent liabilities		
Payments to be made in the next financial period	145 803,00	169 959,36
To be paid later	945 889,00	0,00
Total	1 091 692,00	169 959,36



MUSIC MAKES GOOD THINGS HAPPEN