

2009 ANNUAL REPORT



The Undisputed Popularity of Music

Music has become ubiquitous. It knows no boundaries and is available virtually everywhere. It is consumed, used and expended. But what is the value of music today? What value can music have when it can be experienced anytime, anyhow, anywhere?

Yet 91 % of the Swiss population believe that music has a value – and a material value at that. 74 % unreservedly believe that composers and authors should be compensated for their work, even when their works are copied or downloaded. Does that mean we have nothing to worry about? Hardly. Take a closer look: the under-35s, i.e. the generation that grew up with the internet and the mobile phone, are significantly less sure. Respect Copyright, SUISA's project for schools, is directed at the source of the problem and is well worth every penny!

Listening to music is one of Switzerland's most popular cultural pastimes today. According to a representative survey conducted by SUISA, 21 % of the population consider music "vital", and an equal number consider it a passion. Music places far ahead of literature and other art forms.

Listening to music is all well and good, but what about playing it? Only one fifth of those surveyed play a musical instrument, and even fewer enjoy singing. German-speaking Switzerland is the clear leader of the pack while, strangely enough, Italian-speaking Switzerland is the laggard with a mere 13%.

A survey conducted by the Federal Statistical Office singles out the more quantitative aspects. How often do we listen to music, for how long and by what means? How intensively we may or may not listen to it remains your and my secret. Rediscovering a culture of concentrated listening would be worthwhile indeed.

Nowadays, the Swiss source their music mainly from the radio or the web, or from sound carriers or hard drives. Another statistic made us sit up and take notice: two-thirds of the population attend live music performances. The density of the concert landscape is also reflected in SUISA's revenues. And the number of regular concert-goers is significantly higher in the under-30s age bracket than in other age groups. This is an opportunity not to be missed! Music is a form of communication which is best enjoyed when it is shared. Music is an important social asset and as such it does indeed have a value: that is our core message.

Overview of the Financial Year

Year-end Results with Few Surprises

Revenues

Total revenues for 2009 were above budget albeit, as expected, below 2008 levels. In the last annual report, we had already indicated that 2009 revenues would probably not attain the record 2008 levels.

Revenues from the administration of authors' rights were not as low as budget forecasts. Income from securities was also an important element: in 2008, SUISA had reported capital expenditures of CHF 3.4m, of which CHF 2.5m was attributable to unrealised book-losses arising from the market crash.

With the market recovery in the last quarter of the year, asset values picked up gaining CHF 2.4m (again, an unrealised book-profit). The gains virtually compensated the losses of the prior year.

Cost Coverage Deductions

The cost-income ratio was 19 % (compared with 20% the year before).

A portion of SUISA's administrative costs is covered up front by secondary income. The remainder is financed by cost coverage deductions from domestic and foreign royalty revenues. The average weighted cost coverage rate in 2009 was 13 % (13.9 % in 2008).

When secondary income and cost coverage deductions are insufficient to cover costs, the difference can be financed through the cost compensation fund (incremented by writing back reserves for claims of unidentified right-holders which lapse after five years). In 2009 and in 2008, there was no need to tap the cost compensation fund.

Released reserves could be used to finance a supplemental distribution. But the cost would be disproportionate to the sum involved. Therefore, the Board will pursue its efforts to maximise the balance between accurate licensing and distribution on the one hand, and a reasonable cost-income ratio on the other. For the 2010 settlements, the Board has decided to reduce the cost coverage deduction on performance and broadcasting revenues to 15 % (compared with 17 % in 2009 and 19 % in 2008).

As for mechanical rights, the cost coverage deductions are for the most part set in the Cannes Agreement signed with the major publishers (currently 7.325% for SUISA, including licensing costs for central licensing societies). Otherwise, the cost coverage deduction for SUISA members is 15%. There is no immediate need to change cost coverage deductions on mechanical rights.

User Services and Licensing

Slightly Lower Licensing Revenues in 2009

Domestic licensing revenues for the year were 2% lower than in 2008, but still 3% over 2007. In 2009, broadcasting and performance revenues both rose again slightly (CHF 55,664,009 and CHF 38,276,696 respectively) while revenues from mechanical rights (CHF 18,357,388) and private copying (CHF 9,427,982) continued to decline. In 2009, SUISA's foreign revenues dropped by a good 12% compared with the prior year.

SUISA licenses all types of music uses in Switzerland and Liechtenstein. In addition to its direct repertoire – i.e. the works of its own members – SUISA represents the world repertoire comprising the works of all the composers, authors and publishers who are members of SUISA's sister societies world-wide. Royalties earned by SUISA members for the use of their works abroad are collected by the relevant sister societies and transferred to them through SUISA. Conversely, revenues due to foreign authors for the use of their works in Switzerland and Liechtenstein are transferred by SUISA to the societies of which those authors are members. The table in the “International Settlements” section shows that SUISA transfers more money to other countries than it receives from abroad by way of royalties for Swiss music. This is because, regrettably, Swiss music, no matter how good, is hardly known outside our own borders.

Broadcasting Rights

In 2009, licensing of broadcasting rights accounted for 46% of SUISA's revenues compared with 45% in 2008. Broadcasting rights thus remain SUISA's primary source of revenues. Higher revenues from private broadcasters and subscription channels contributed to these good results. The trend in revenues also reflects the growth in digital television and internet television services (IPTV). Revenues from the licensing of broadcasting rights to SBC remained stable. Unfortunately, revenues from the licensing of music for SBC advertising declined because advertisers booked more advertising with other broadcasters. The Swiss advertising windows on private German channels (RTL, Pro7, Sat1, etc.) and the French M6 window are proving tough competition for the SBC.

Performance Rights

Revenues from performance rights increased by 4% compared with 2008 thanks largely to the continuing boom in giant concerts and live events. Revenues from movie theatres rose significantly while there was a steep decline (-20%) in revenues from symphony orchestra performances. Revenues from clubs and parties remained stable despite the difficult economic environment.

Mechanical Rights

Revenues from mechanical rights continued their fall, decreasing by 10% compared with the prior year. Revenues from the licensing of physical sound carriers have followed a steep downward trend for a number of years, and although revenues from internet sales of music increased by 46% (i.e. + CHF 610,566), they still fall far short of compensating the decline in sound carrier licensing (- CHF 2,011,690). There are several causes, among which the competition from file-sharing sites and illegal downloading portals and the fact that European publishers and collecting societies compete against each other for the right to license online providers.

Following the European Commission's recommendation on the online use of music and the decision of the European competition authorities barring territorial restrictions on licensing, SUISA can no longer bundle all the rights for the sale of music files in Switzerland within a single licence. Therefore, SUISA's revenues no longer include the licence fees for the catalogues of major publishing companies such as EMI for example. EMI Publishing has entrusted the management of its Anglo-American repertoire for the whole of Europe to CELAS, a Munich-based joint venture between Germany's GEMA and Britain's PRS for Music; accordingly the rights for Switzerland have been withdrawn from SUISA. Other major publishers (Universal, Sony and Warner) have announced their intention to take similar steps. This reorganisation means less income for SUISA and a fragmentation of the rights in each individual title. Authors and the smaller collecting societies whose bargaining position is weak compared with that of the majors are the main losers. Online music providers first conclude contracts with the large publishing houses for their international Anglo-American repertoire. Then they either decide to do without the less well-known titles licensed by the smaller national collecting societies, or they demand prices that do not cover the cost of managing the rights concerned. The purported market liberalisation therefore has exactly the opposite effect: authors and publishers of regional or national titles have little or no chance of obtaining a reasonable price on the online platforms. The result will be thinner supply and limited cultural diversity.

Private Copying

As expected, revenues in connection with private copying dropped (-20%). After an 18-month dispute, a tariff imposing a

system of levies on blank storage media in MP3 players, iPods and video recorders came into effect on 1 September 2007. Accordingly, 2008 revenues contained a significant share of back payments. In 2009, the first tariff was replaced by a new one providing for significantly lower rates and supplemented by a new tariff covering the rental from cable network operators of set-top boxes with built-in hard drives or centralised storage with the cable network. Therefore, future settlements will continue to be distorted by such deferrals.

An application was filed with the Federal Arbitration Commission for a new tariff on blank storage media for mobile phones like the iPhone, for example. The proposed tariff, which was to come into effect 1.10.2009, was first examined by the Commission on 18.03.2010, however. The Commission decided in favour of the tariff, but reduced the proposed levies by some 63%, and the parties concerned are now examining possible appeals.

Members and Distribution

Members

Despite the economic crisis, right-holders continued to find SUISA attractive. At the end of 2009, SUISA had 27,470 members and principals, 1,275 more than one year before.

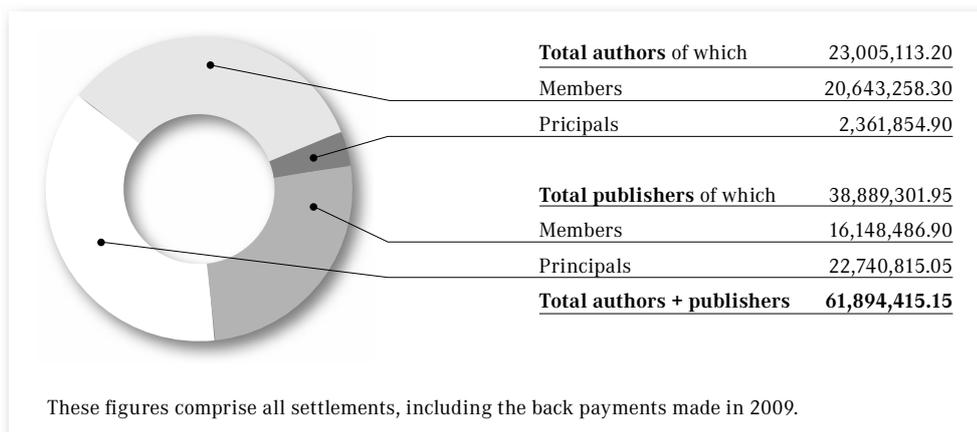
In 20 years, SUISA's members and principals have increased threefold (at the end of 1989, SUISA had 8,668 members and principals altogether). As prescribed by Swiss law, the European Commission and CISAC, our umbrella association, SUISA is open to all right-holders.

Distribution to Members

The diagram below shows the amounts distributed by SUISA to its members and principals in 2009:

2009 Settlements

in CHF



The publishers' share is higher because the larger international publishers are directly associated with SUISA either as members or as principals. They have assigned their global publishing cata-

logues, including their Anglo-American catalogues (with the exceptions discussed in the section on Mechanical Rights), to SUISA for collective administration.

Distribution

Performance and Broadcasting Rights

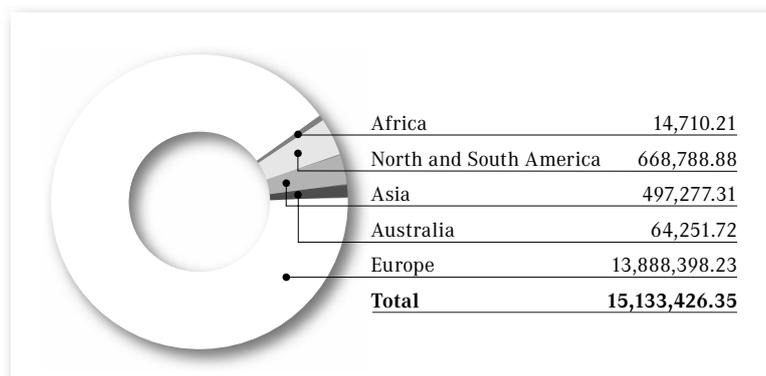
in CHF

Main June settlement	2009	2008
SUISA members	27,323,420 (45.9%)	23,610,285 (45.1%)
Members of foreign societies	25,819,599 (43.4%)	23,986,088 (45.8%)
Reserves for deferred settlements	6,409,132 (10.8%)	4,742,917 (9.1%)
Total	59,552,151	52,339,290

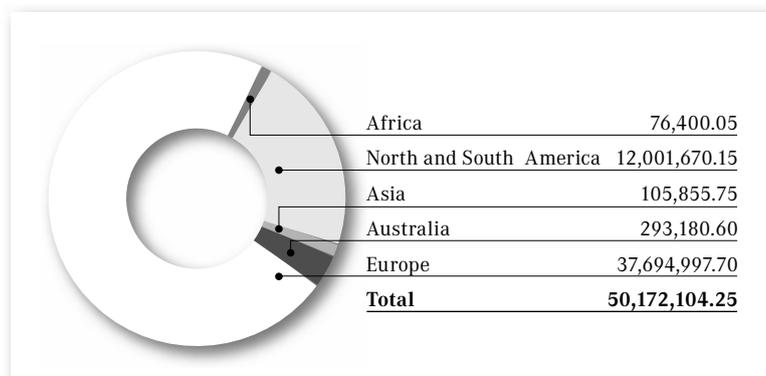
International Settlements

Revenues from abroad declined considerably compared with 2008 which was, however, an extra-ordinary year. Moreover, the settlements paid to foreign sister societies were significantly higher than in 2008 owing in particular to the deferred payment of settlements in respect of SBC commercials.

2009 Payments received from abroad in CHF

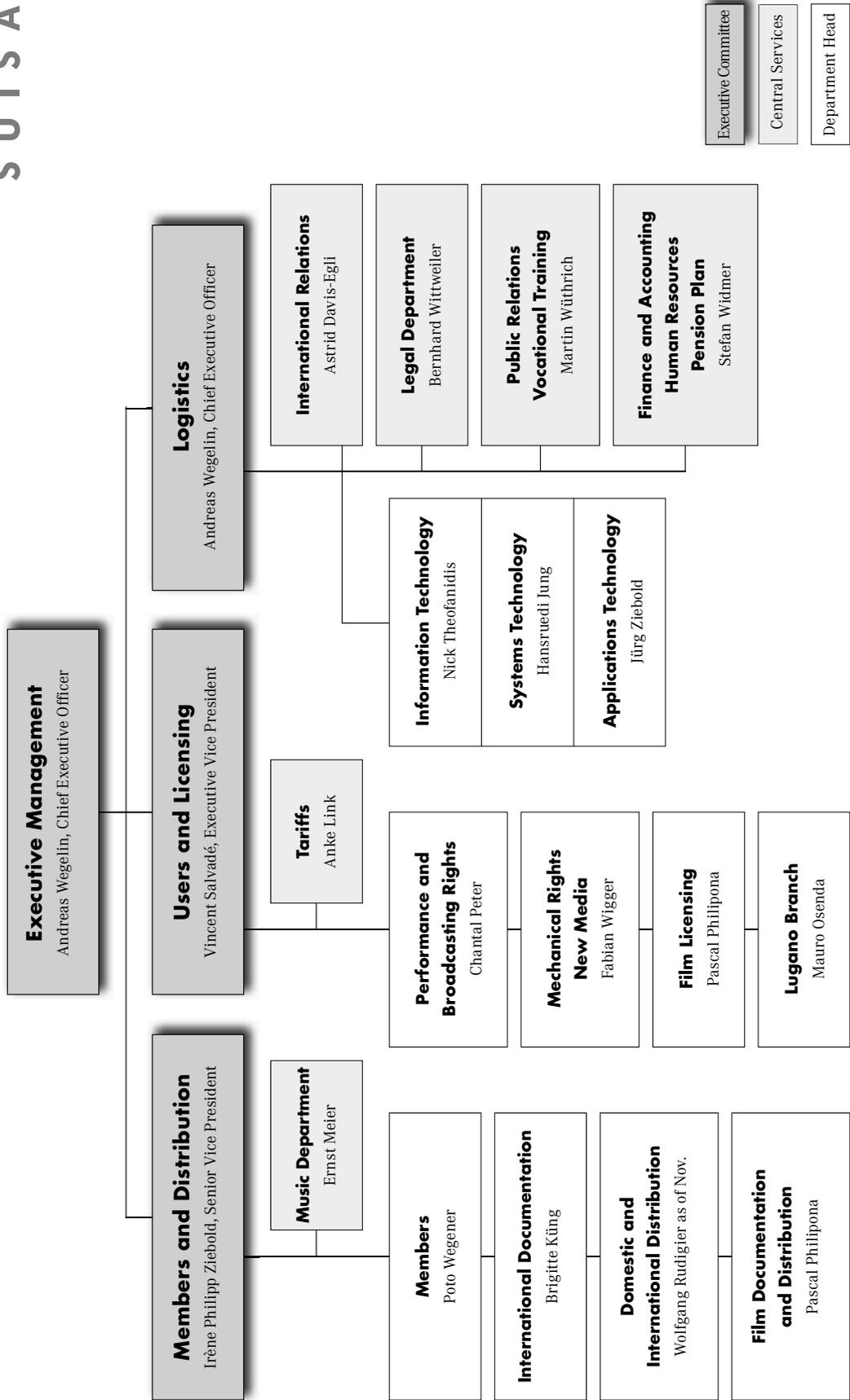


2009 Payments transferred abroad in CHF



Organisation Chart

as of 1 July 2010



Executive Committee
Central Services
Department Head

2009 FINANCIAL STATEMENTS

Balance Sheet as at 31 December 2009

Assets

			CHF (000)	
Current assets			2009	2008
Cash and sight deposits	55,021		56,834	
Term deposits and securities	84,831		91,178	
Accounts receivable	22,173		20,947	
Advances to members	1,756	163,781	1,732	170,691
Accruals		1,224		1,835
Fixed assets				
Mortgages	0		300	
Furniture, fixtures, equipment and vehicles	1,025		1,711	
Bellariastrasse 82, Zurich	11,782		12,011	
Avenue du Grammont 11 bis, Lausanne	900		893	
Mutschellenstrasse 127, Zurich	720	14,427	735	15,650
Total Assets	179,432		188,175	

Liabilities

Short-term liabilities			2009		2008	
Income for distribution	89,107		87,300			
Additional distribution of released liabilities	48,194		47,483			
Settled amounts not yet paid to members	2,946		2,804			
Accounts payable	23,521	163,768	34,797	172,385		
Deferrals		7,958		8,701		
Long-term liabilities						
Bad debt provisions	1,910		1,685			
Cost compensation fund	4,886		4,995			
Specific reserves	910	7,706	410	7,090		
Total liabilities	179,432		188,175			

2009 Income and expenditures account

CHF (000)

	2009		2008	
Income from collective administration of royalties				
from Switzerland and Liechtenstein				
Mechanical rights	27,970		32,269	
- third-party collection charges	-185	27,785	-234	32,036
Performance and broadcasting rights	95,120		93,059	
- third-party collection charges	-1,179	93,941	-1,091	91,968
Net income		121,726		124,004
from abroad				
Mechanical rights	4,334		5,173	
Performance and broadcasting rights	10,799	15,133	12,093	17,266
Secondary income				
Services to third parties	145		252	
Collection charges for third parties	1,469		1,682	
CAE/IPI subscriptions	3,100		3,725	
Income from property	551		532	
Other	578		607	
Income on securities	4,676		3,914	
Registration fees for new members	188	10,708	183	10,894
Total Income		147,568		152,164
Operating Expenses				
Personnel	19,141		19,270	
Premises	607		669	
Bodies and committees	493		392	
General overheads	576		621	
IT	2,569		1,866	
Other operating expenses	242		266	
Maintenance and repairs	285		302	
Bank charges	450		3,437	
Depreciation	2,180		1,801	
Taxes	117		119	
Public relations	472		560	
Memberships	336		352	
International relations	159		205	
Tariff-related expenditures	54		233	
Project-related expenditures	404	-28,085	436	-30,529
Cost coverage grant from the cost compensation fund		0		-57
Income for distribution to authors and publishers		119,482		121,577
Distribution				
in the current business year		21,612		25,652
in the following year		89,107		87,300
Allocation ¹⁾				
7.5% to the Welfare Fund for authors and publishers		6,573		6,469
2.5% to the SUIISA Foundation for Music		2,191		2,156
Income for distribution to authors and publishers		119,482		121,577

¹⁾ Allocations are computed on the basis of net royalty revenues from performance and broadcasting plus income on blank media carriers. In the year under consideration, these revenues totalled CHF 87,635,955.99

The average cost coverage rate for the year was 12.97% in total: 15.74% for domestic performance and broadcasting rights, 8.5% for domestic mechanical rights and 4% from abroad.

Genossenschaft der Urheber und Verleger von Musik
Coopérative des auteurs et éditeurs de musique
Cooperativa degli autori ed editori di musica
(Cooperative Society of Music Authors and Publishers)

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