

2010 ANNUAL REPORT

EDITORIAL

To our great satisfaction, 2010 will go down in the annals as another good year for SUISA.

In the course of the year, important changes were made in SUISA's senior management:

at the end of June, after many successful years at the head of SUISA, Alfred Meyer stepped down as CEO and went into retirement, while his deputy, Jean Cavalli, accepted a new assignment as CEO of our sister society, Société Suisse des Auteurs in Lausanne.

The new Executive Committee appointed by the Board at the end of 2009 took office on 1 July 2010. The Executive Committee is now composed of Andreas Wegelin, CEO, Vincent Salvadé, Executive Vice President, and Irène Philipp Ziebold, Director, all of who have been with SUISA for many years.

Satisfactory results notwithstanding, during the year SUISA had to cope with a number of difficulties and problems which should not be swept under the carpet and which will continue to demand

management's full attention and commitment in the future. In this context, the looming threat of a loss in the value and standing of intellectual property is a point of growing concern. Intensive, continuous media work and public relations are and remain absolutely essential here. SUISA depends entirely on the active support of all members of parliament in ensuring that the legislative framework conditions are structured so that composers, lyricists and music publishers may continue living off their creative work.

At the 2011 General Assembly, I shall be stepping down as President and member of the Board. To all of you, my deep-felt thanks, and to our members, without who there would be no SUISA, my gratitude for the trust placed in me.

I wish you all a successful future and endless delight in the pursuit of your musical activities. ■

Yours truly,
Hans Ulrich Lehmann

OVERVIEW OF THE FINANCIAL YEAR

Results for the year better than budgeted

In 2010, SUISA realised total revenues of CHF 142.3 million, a good 4% (CHF 5.7mn) over budget. Compared with 2009, however, revenues declined by CHF 5.2mn or 3.5% (prior year 3%). Taking into account the unfavourable euro exchange rate and the difficult environment in the field of sound carriers and online uses, the overall results are satisfactory.

Revenues from performance and broadcasting rights, SUISA's main licensing area, reached a new peak of CHF 99.2mn, just short of the CHF 100mn mark. All licensing revenues combined – concerts, broadcasts and live performances in restaurants, hotels or at village fêtes – show that musical broadcasts and live performances are essential for many organisers and businesses. Notwithstanding what the occasional negative reports in the press may say about collective copyright administration, licensing revenues afford a great number of authors and publishers a fair remuneration for the use of their work. Collective rights administration is not only in the interest of the authors and publishers, it offers users significant advantages as well. Just imagine what it would mean for small organisers to have to negotiate and settle their royalties directly, at individual rates, with a multitude of composers, lyricists and publishers. Organisers would no long-

er have the assurance of being able to deal with a single office (SUISA). Settling through SUISA is and remains the cheapest and simplest solution for licensing music.

88% of tariff revenues distributed

The cost-efficiency ratio has improved again, dropping to 18% for 2010 compared with 19% the year before. To maximise the ratio between SUISA's royalty revenues and its settlements to right-holders, costs are first reduced by the proceeds from secondary income. The cost-coverage contribution deducted from settlements thus equals 11.95% on average (12.97% the prior year) and SUISA can distribute, on average, 88.05% of copyright revenues to members.

Additional distribution of CHF 5 million

A year ago, the Board decided to lower the maximum cost-coverage deduction rate on performance and broadcasting rights from 17% to 15%. Because results have remained stable even with the lower cost-coverage deduction, reserves that are no longer necessary can be written back and an additional distribution made this year. In 2011, CHF 5mn will be distributed together with the normal settlements. If the course of business remains equally satisfactory, two more additional distributions will be made in the next two years. Given the amounts available for additional

distribution in 2011, SUISA will be able to pay an extra 5% of the distribution amount to beneficiaries with their normal 2011 settlement. In other words, the additional distribution corresponds

to a further 5% reduction in the cost coverage contribution meaning that, taking into account the additional distribution, the cost-coverage deduction is now no more than 10%. ■

2010 Financial Year CHF (000)

Royalty collections	2010	2009	+/- %
Domestic collections	121,142	121,726	- 0.5
International	12,105	15,133	- 20
Total income royalties	133,247	136,859	- 2.6
Secondary income	9,095	10,708	- 15.1
Total income	142,342	147,567	- 3.5
Operating expenses (percentage of total income in brackets)	26,092 (18)	28,085 (19)	
Calculation of average cost deduction for settlements:			
Operating expenses	26,092	28,085	- 7.1
Less allocation from cost compensation fund	-1068		
Allocation to distribution account		376	
Less secondary income	-9,095	-10,708	- 15.1
Net operating expenses	15,929	17,753	- 10.3
In % of income from royalties	11,95	12,97	- 7.8

LICENSING

Concerts still in

In terms of global revenues, the year 2010 lived up to expectations. For several years now, revenues have been following the same trend: performance and broadcasting rights are holding up well (+4.1% compared with the prior year) while mechanical rights are suffering from the crisis (-6.9%). The strong downturn in revenues from private copying (-39.3%) gives us cause for concern.

Performance and broadcasting rights

Last year was another record year for concert revenues (CT Ka and Kb) which reached CHF 16,942,053, an 8.1% increase over the prior year. While this result is extremely satisfactory, growth cannot be expected to continue along the same lines in the future. Recent last minute cancellations of a number of concerts indicate that a ceiling has been reached. Broadcasting reception licence fees outside the private sphere and for background music (CT3a + 24%) also chalked up good results. In this sector, Billag collects most of the revenues together with its radio and TV reception fees. Broadcasting rights remained quite stable. The slight reduction (-0.1%) is not a matter of concern at the present time since ongoing negotiations with our sister societies should lead to additional payments for the Swiss advertising windows in foreign broadcasting channels.

Mechanical rights and new media

Unfortunately, the record industry was not successful in shaking off the crisis in 2010: PI tariff revenues fell by 10% compared with the prior year. Revenues from online media (Tariff PI online) could not make up for the shortfall. While online media revenues recorded a huge increase (+72.3%), that was actually mainly due to back invoicing in respect of earlier years. Given the situation in Europe, SUISA no longer holds all the rights for online distribution: EU anti-trust authorities have imposed free competition on copyright societies in this field. As a result, before invoicing a user like iTunes, each copyright society must first establish for which portion of the repertoire it can collect royalties and for which portion it cannot. This process involves costs, delays and a degree of legal uncertainty: copyright societies sometimes have contradictory indications on certain works with the result that a user may be invoiced several times for the same right. Clearly, users check invoiced amounts carefully and, in case of a dispute, they block the royalty payment. In this difficult context, SUISA has developed an efficient software application capable of speeding up the identification of right-holders. Thanks to this application, not only have we caught up on our invoicing backlog, we have managed to get a head start on our sister societies. This is an extremely precious competitive edge in today's market environment.

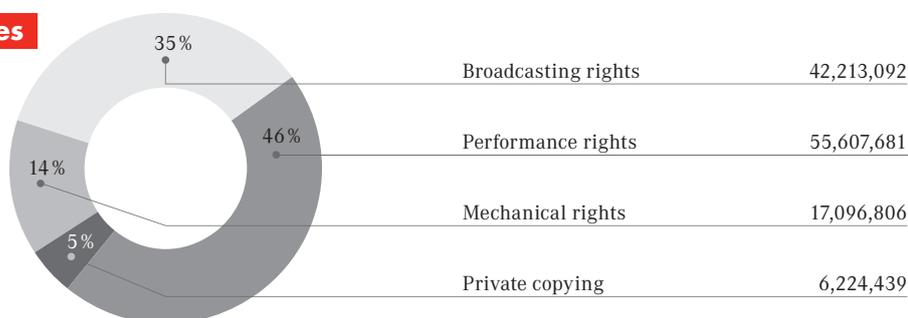
Remuneration for private copying

In 2010, revenues from blank storage media – the fee levied for the private copying of protected works – slumped by 39.3%. Technology progresses so fast in this area that copyright societies cannot keep up with corresponding tariffs; moreover, new tariffs are often blocked by injunctions and other legal constraints. When the levy was originally introduced on MP3 players and similar storage media in 2007, the copyright societies collected significant amounts. This enabled authors to receive at least partial compensation for the mass copying of their works in the digital age. Since then, however, MP3 players have largely been replaced by smart phones with multimedia capability like the iPhone. Accordingly, the copyright societies negotiated a new

tariff which was approved in March 2010 by the Federal Arbitration Commission. But the industry filed an appeal against the tariff and the Federal Administration Court has ruled that the action has suspensive effect. As a result, no remuneration is currently being levied on the storage capacity of mobile phones. This, despite the fact that such phones are used extensively for private copying of music. This state of affairs is incomprehensible for SUISA's authors and publishers. If the new tariff (CT 4e) had come into force in mid-2010 as planned, SUISA's overall results would probably have been significantly better than in 2009. We estimate the loss in revenues for SUISA at CHF 1.5mn for the 2nd half of the year. ■

2010 Domestic Revenues

CHF



MEMBERS AND DISTRIBUTION

Making music is popular

SUISA is a reliable partner for music makers. At the end of 2010, SUISA had 28,793 members and principals, 1323 more than in 2009.

Just as our revenues reflect the popularity of music, our membership numbers show the popularity of music-making. Nowadays, SUISA has nearly 29,000 members. While we welcome the growing interest in music making, the constant increase in membership places a great strain on our administration. Thousands of members, especially those with little or no royalty claims, systematically forget to notify us of their changes in address, for example.

Members fall behind

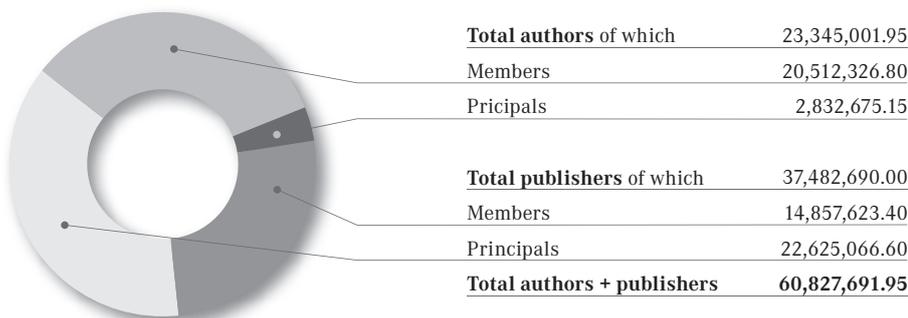
When one compares today's membership statistics with those of 2000, the reverse side of the popularity medal becomes clear. Over this period, SUISA gained nearly 12,000 new principals, but only a quarter of them (2872) have become members. Thus, in the last ten years, the ratio of members to principals has overturned to the disadvantage of those collecting royalties from their works.

At the proposal of the Board, the 2010 General Assembly resolved that, if SUISA has no address for a principal or a member during five years, the relevant rights administration agreement and membership shall expire at the end of the following year. The rights will revert to the author and will no longer be managed by SUISA. In this way, SUISA expects to be able to strike a few thousand names off its membership list at the end of 2011. ■

2010 Settlements

CHF

These figures comprise all settlements, including the back payments made in 2010.



INTERNATIONAL SETTLEMENTS

Thanks to the reciprocity agreements signed with about 100 sister societies worldwide, SUISA represents what is known as the world repertoire of music. SUISA's balance of payments with foreign countries shows that much more foreign music is played in Switzerland and Liechtenstein than Swiss music in foreign countries. About CHF 41mn, or 34%, of the distributable amount from the 2009 settlement was paid to our foreign sister companies for

distribution to their members. By comparison, SUISA revenues from the use of its members' music abroad fell from CHF 15.1mn in 2009 to CHF 12.1mn in 2010, representing about 10% of our royalty revenues. Unfavourable foreign currency exchange rates driven by the strong Swiss franc accounted for a portion of the decline, however. ■

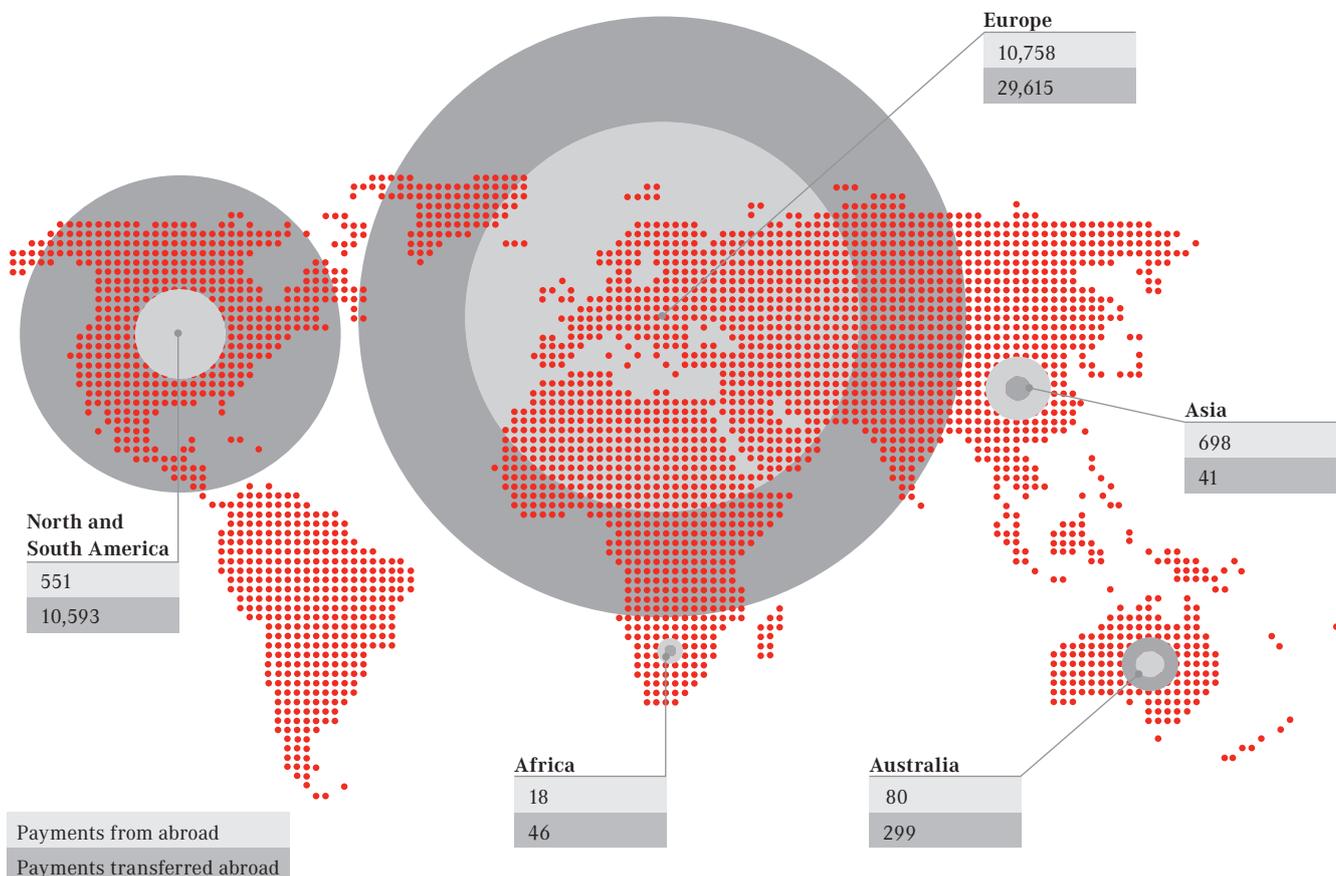
SUISA's top ten trading partners

CHF

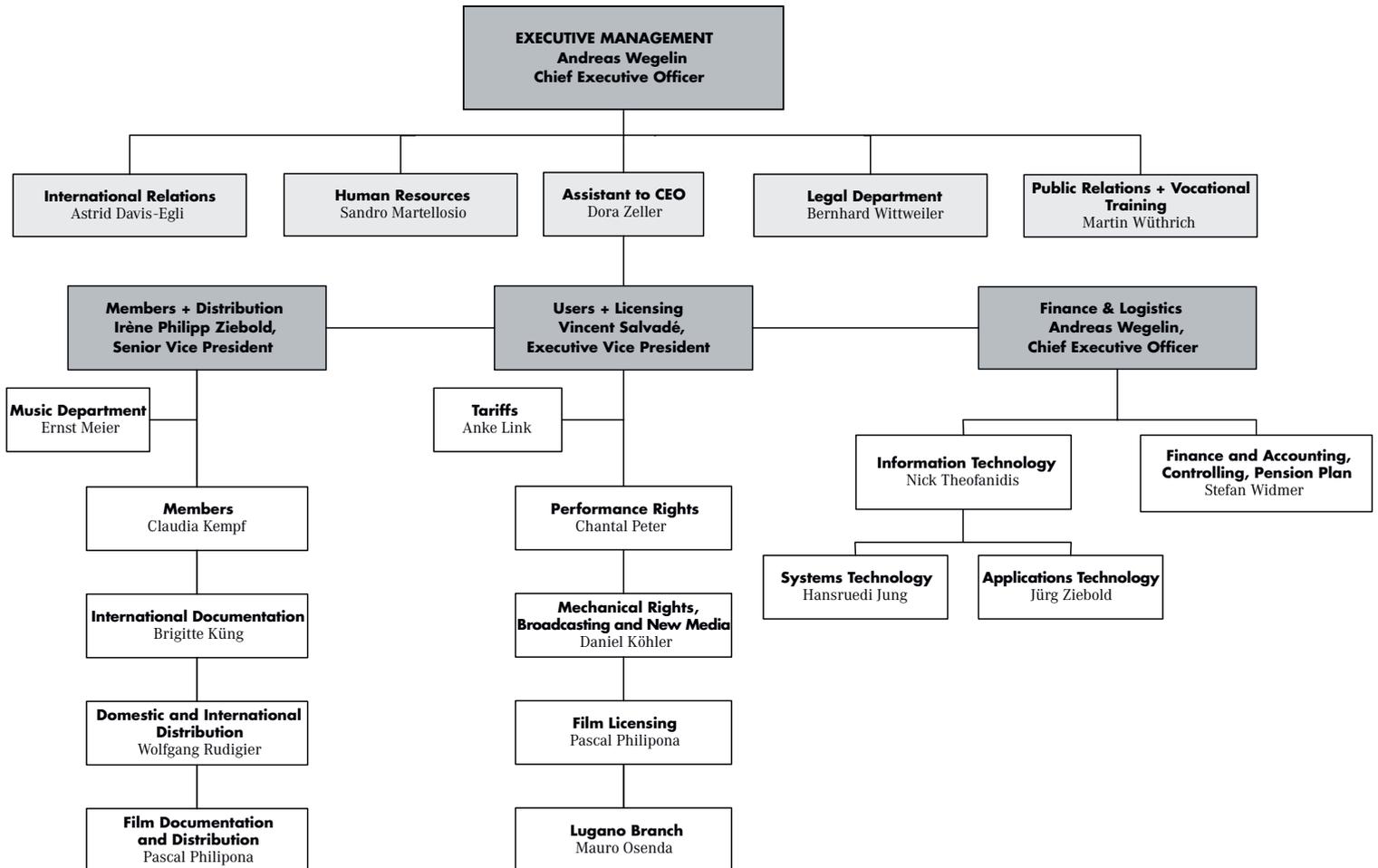
	Country	from abroad	transferred abroad
1	France	3,331,611	7,326,083
2	Germany	3,006,499	10,037,337
3	Italy	1,074,344	2,580,448
4	Austria	749,314	1,346,607
5	Japan	667,790	30,615
6	Netherlands	471,079	611,209
7	Spain	429,072	493,798
8	Great Britain	326,479	5,421,767
9	USA	311,658	9,816,535
10	Belgium	218,248	325,606

Where do the settlements go?

CHF (000)



ORGANISATION CHART 2011



- Executive Committee
- Central Services
- Department Head

Status: summer 2011

Balance Sheet as at 31 December 2010

CHF (000)

Assets

Current assets	2010	2009
Cash and sight deposits	60,171	55,021
Term deposits and securities	83,745	84,831
Accounts receivable	21,771	22,173
Advances to members	1,806	167,493
		1,756
163,781		
Accruals	1,576	1,224
Fixed assets		
Furniture, fixtures, equipment and vehicles	724	1,025
Bellariastrasse 82, Zurich	11,546	11,782
Avenue du Grammont 11 bis, Lausanne	882	900
Mutschellenstrasse 127, Zurich	705	13,857
		720
14,427		
Total Assets	182,926	179,432

Liabilities

Short-term liabilities		
Income for distribution	83,840	89,107
Additional distribution of released liabilities	5,000	0
Liabilities from settlements	51,309	48,194
Settled amounts not yet paid to members	2,063	2,946
Accounts payable	25,035	167,247
		23,521
163,768		
Deferrals	7,938	7,958
Long-term liabilities		
Bad debt provisions	1,910	1,910
Cost compensation fund	4,921	4,886
Specific reserves	910	7,741
		910
7,706		
Total liabilities	182,926	179,432

2010 Income and expenditures account CHF (000)

		2010	2009
Income from collective administration of royalties			
from Switzerland and Liechtenstein	Mechanical rights	23,442	27,970
	- third-party collection charges	-120	-185
	Performance and broadcasting rights	99,234	95,120
	- third-party collection charges	-1,413	-1,179
Net income		121,142	121,726
from abroad	Mechanical rights	3,694	4,334
	Performance and broadcasting rights	8,411	10,799
Secondary income			
	Services to third parties	170	145
	Collection charges for third parties	1,391	1,469
	CAE/IPI subscriptions	2,884	3,100
	Income from property	549	551
	Other	485	578
	Income on securities	3,428	4,676
	Registration fees for new members	189	188
Total Income		142,342	147,568
Operating Expenses			
	Personnel	18,649	19,141
	Premises	613	607
	Bodies and committees	496	493
	General overheads	555	576
	IT	1,742	2,569
	Other operating expenses	298	242
	Maintenance and repairs	341	285
	Bank charges	638	450
	Depreciation	972	2,180
	Taxes	15	117
	Public relations	581	472
	Memberships	349	336
	International relations	110	159
	Tariff-related expenditures	379	54
	Project-related expenditures	355	404
		-26,092	-28,085
Cost coverage grant from the cost compensation fund		1,068	0
Income for distribution to authors and publishers		117,318	119,482
Distribution	in the current business year	24,472	21,612
	in the following year	83,840	89,107
Allocation ¹⁾	7.5 % to the Welfare Fund for authors and publishers	6,755	6,573
	2.5 % to the SUISA Foundation for Music	2,252	2,191
Income for distribution to authors and publishers		117,318	119,482

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 90,062,062.-. The

average cost coverage rate for the year was 11.95 % in total (previous year 12.97 %): 13.66 % for domestic performance and broadcasting rights, 8.93 % for domestic mechanical rights and 4 % for revenues 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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