

2008 ANNUAL REPORT (Overview)



Overview of the 2008 Financial Year

Record Revenues

In 2008, SUISA realised record revenues of CHF 152.2 million, an increase of 8% over the prior year. The last record year was in 2001, when total revenues reached CHF 141.5 million. Thereafter, revenues sank as low as CHF 132.7 million in 2004, mainly due to the plunge in sound carrier sales. Last year, revenues were up slightly at CHF 140.9 million.

Experience shows that financial crises affect SUISA's annual results with a lag. In any event, in the year under consideration, the recession seems not to have affected the music industry.

Without wishing to diminish these extremely satisfactory results, two special developments must be underscored:

Levy on Blank Storage Media in iPods, MP3 Players and HD Recorders

Revenues from Common Tariff 4 (CT 4 – video and audio combined) were CHF 6 million higher than the prior year. This was thanks to the new tariff regulating levies on blank storage media in iPods and similar electronic devices which came into effect on 1 September 2007. A significant portion of the remuneration for the last 4 months of 2007 was therefore only billed in 2008. So 2008 revenues actually correspond to more than twelve months' income.

Moreover, the electronics industry managed to delay the application of the new tariff. Digital storage capacity increased without a corresponding increase in the price of the devices. SUISA took this development into account, and voluntarily and unilaterally reduced the levy on larger storage media. Allowance will no doubt also have to be made for market trends in 2009.

Foreign Revenues

Foreign revenues rose by nearly CHF 3 million. This was due, firstly, to the fact that certain statements from foreign sister societies were settled earlier than in other years and, secondly, to the fact that, for years, our Spanish sister society barely transferred any amounts at all because of differences with the Spanish tax authorities. Meanwhile, those differences have been ironed out, and SGAE has transferred a significant portion of the outstanding settlements for prior years.

Securities Income and Losses on Financial Investments

Securities income increased thanks to larger investment volumes and careful asset management. Nevertheless, the turmoil on the financial markets did not leave SUISA entirely unscathed. Capital expenditures include a valuation adjustment of CHF 2.5 million. A book loss of CHF 2.5 million on an investment volume of about CHF 91 million can be regarded as bearable. This relatively limited loss is indicative of SUISA's risk-averse investment policy.

Despite the financial crisis, distributable income rose in the wake of the record revenues.

2009 Cost Coverage Deduction

In 2008, for the first time in decades, the cost coverage contribution deducted from tariff revenues and foreign and secondary income was sufficient to finance all administration costs. There was no need to tap the cost compensation fund for a cost coverage grant.

The average administration cost coverage rate deducted from domestic and foreign royalty revenues was 13.94%.

Cost coverage deductions

Cost coverage deductions for the administration of authors' rights:

| | | | |
|--|---------|---------|--------------|
| Domestic performance and broadcasting rights: | Average | 17.69 % | maximum 19 % |
| Domestic mechanical rights and royalty claims: | Average | 8.53 % | maximum 15 % |
| International income: | Average | 4.0 % | |
| Total | Average | 13.94% | |

Considering the good results, the Board decided to reduce the maximum cost coverage deduction on performance and broadcasting revenues from 19% to 17% in 2009. This is a 10.5% reduction.

The year before, an additional distribution of CHF 2.8 million was paid following the satisfactory results in 2007. But, for the sum involved, the additional distribution process was extremely costly in terms of time and effort. Therefore, the Board decided this time to reduce the cost coverage deduction – an inexpensive solution benefitting all right-holders receiving performance and broadcasting settlements. Cost coverage deductions for mechanical rights and claims, which are lower, were left unchanged.

User Services and Licensing

Record Year with a Question Mark

In 2008, SUISA realised record revenues – the highest in the Society's history. Revenues from domestic licensing and revenues from the use of members' works abroad increased significantly, namely by 5% and 20% respectively.

Broadcasting Rights Reflect Advertising and Technology Trends

Licensing of broadcasting rights remains SUISA's first source of revenues (44%). Compared with 2007 – already a very good year – revenues climbed again, attaining a record CHF 55.5 million. The distribution of broadcasting rights reflects advertising market trends and developments in broadcasting technologies. Accordingly, Swiss Broadcasting Corporation (SBC) advertising income fell slightly while that of private broadcasting companies and cable and network broadcasters rose.

Swiss Music on a Roll

In the past few years, the share of Swiss music in SBC broadcasts has grown steadily. Last year, this positive trend continued. The Swiss radio station DRS Musikwelle took first position with a 37.5% share of Swiss music (not counting Swiss performers of foreign compositions), followed by Radio Rumantsch with 30.7%. The extremely satisfactory overall performance is mirrored in the distribution of revenues under the corresponding tariff. Swiss composers have never received as much money from the SBC Tariff as they did last year: a welcome development indeed.

Performance Rights Reflect a Successful Concert Year

After record results in 2007, revenues from performance rights attained a new peak in 2008. Concert revenues again accounted for the lion's share of the growth. As always, a few large-scale concerts, including the Madonna concert on the Dubendorf airfield, contributed decisively to the results. The fact that symphony orchestras performed a greater number of protected works also had a positive effect on revenues.

Movie theatres on the other hand were less successful in 2008, while income from the club and party sector was stable. Collective administration is particularly onerous for clubs and events since many clubs have short life spans and entities created for a single event often wind up operations with a loss. In this area, the number of write-offs is traditionally disproportionately high.

For the first time, revenues were collected under the new tariff for big-screen broadcasts (plus 3 metres in diagonal). This tariff – which was applied with special preferential rates during the European Cup – first came into effect in May 2008.

Mechanical Rights – Sound Carrier Crisis

Revenues from mechanical rights were affected by the steep decline in sound carrier licensing fees. Compared with the prior year, revenues from domestic and foreign sound carrier licensing fell again by 14%. Higher revenues (+ CHF 125,440) from online sales of music files offset only a small portion of the shortfall (CHF 2.6 million).

Higher Revenues from Private Copying

Revenues from private copying increased significantly thanks to the new system of levies on blank storage media which came into effect on 1 September 2007. Revenues from blank carriers soared 221%. While this was extremely satisfactory in terms of the 2008 results, we should be wary of exaggerated expectations. These revenues only partially compensate the steady decline in sound carrier licensing income since 2002. And they are also unlikely to remain as high. Blank media carrier tariffs are strictly defined and the electronics industry strongly resists any extension of the obligation to pay royalties, exhausting thereby all paths of legal recourse. Accordingly, we have not yet succeeded in extending the obligation to pay the levy to music and video storage media in mobile phones. These devices increasingly circumvent existing royalty models.

Members and Distribution

Members

In the year under consideration, membership again grew significantly. In March 2008, SUISA's membership crossed the 25,000 mark. By the end of the year, SUISA had 26,195 members and associates.

Authors and publishers first join SUISA as associate members. Once their royalty revenues attain CHF 2,000, and provided they have been associate members for at least one year and satisfy the other requirements, they are admitted as full members with voting rights.

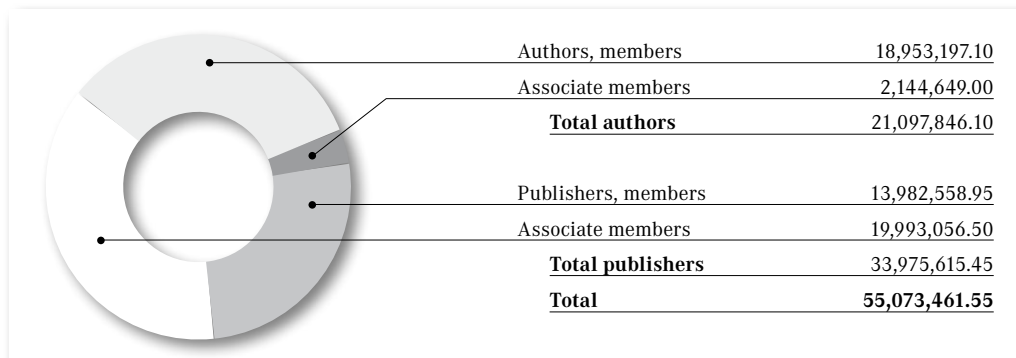
In 2008, 277 associate members, including 10 publishers, were admitted to full membership status. 1,113 new associate members joined SUISA in 2008, of which 68 publishers. These figures are in line with those of prior years.

Distribution to Members

In 2008, SUISA distributed CHF 55,073,461 to its direct members and associate members. Of this amount, CHF 21,097,846 went to authors and CHF 33,975,615 to publishers.

2008 Settlements

in CHF



Distribution

Performance and Broadcasting Rights

in CHF

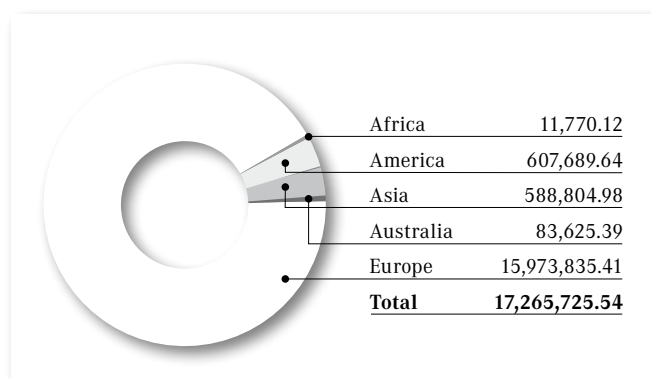
| <u>Main distribution in June</u> | <u>2008</u> | <u>2007</u> |
|----------------------------------|--------------------|--------------------|
| SUISA members | 23,610,284 (45.1%) | 24,618,699 (44.0%) |
| Members of foreign societies | 23,986,088 (45.8%) | 27,279,648 (48.7%) |
| Provisions for future statements | 4,742,917 (9.1%) | 4,113,969 (7.3%) |
| Total | 52,339,289 | 56,012,316 |

International Settlements

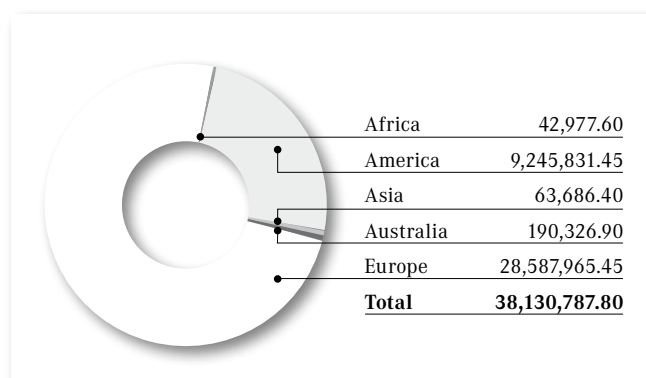
Higher Foreign Revenues

Last year, foreign revenues increased by CHF 3 million, i.e. 20%. The growth in revenues was mainly due to a few SUISA members who have been extremely successful abroad. Moreover, our Spanish sister society transferred revenues that were long due but had been blocked pending the resolution of a taxation dispute.

2008 Payments received from abroad



2008 Payments transferred abroad in CHF



Organisation

Board of Directors

Board of Directors is composed as follows:

| | |
|--------------------------------|--|
| Hans Ulrich Lehmann | Composer, President |
| Marco Zanotta | Management Consultant, Vice President |
| Franco Ambrosetti | Composer |
| Rainer Bischof | Music publisher |
| Xavier Dayer | Composer |
| Monika Kaelin | Lyricist and composer |
| Betty Legler | Lyricist and composer |
| Bertrand Liechti | Music publisher |
| Beat Lüthi | Music publisher |
| Jean-Pierre Mathez | Music publisher |
| Thierry Mauley-Fervant | Composer |
| Reto Parolari | Composer, music publisher |
| Philipp Schnyder von Wartensee | Composer |
| Jean-Michel Valet | Music publisher |
| Pierre Widmer | Lecturer of Law |

General Management

General Management is composed as follows:

Alfred Meyer, Chief Executive Officer, is responsible for logistics (finance and accounting, services reporting directly to General Management, the music department and IT).

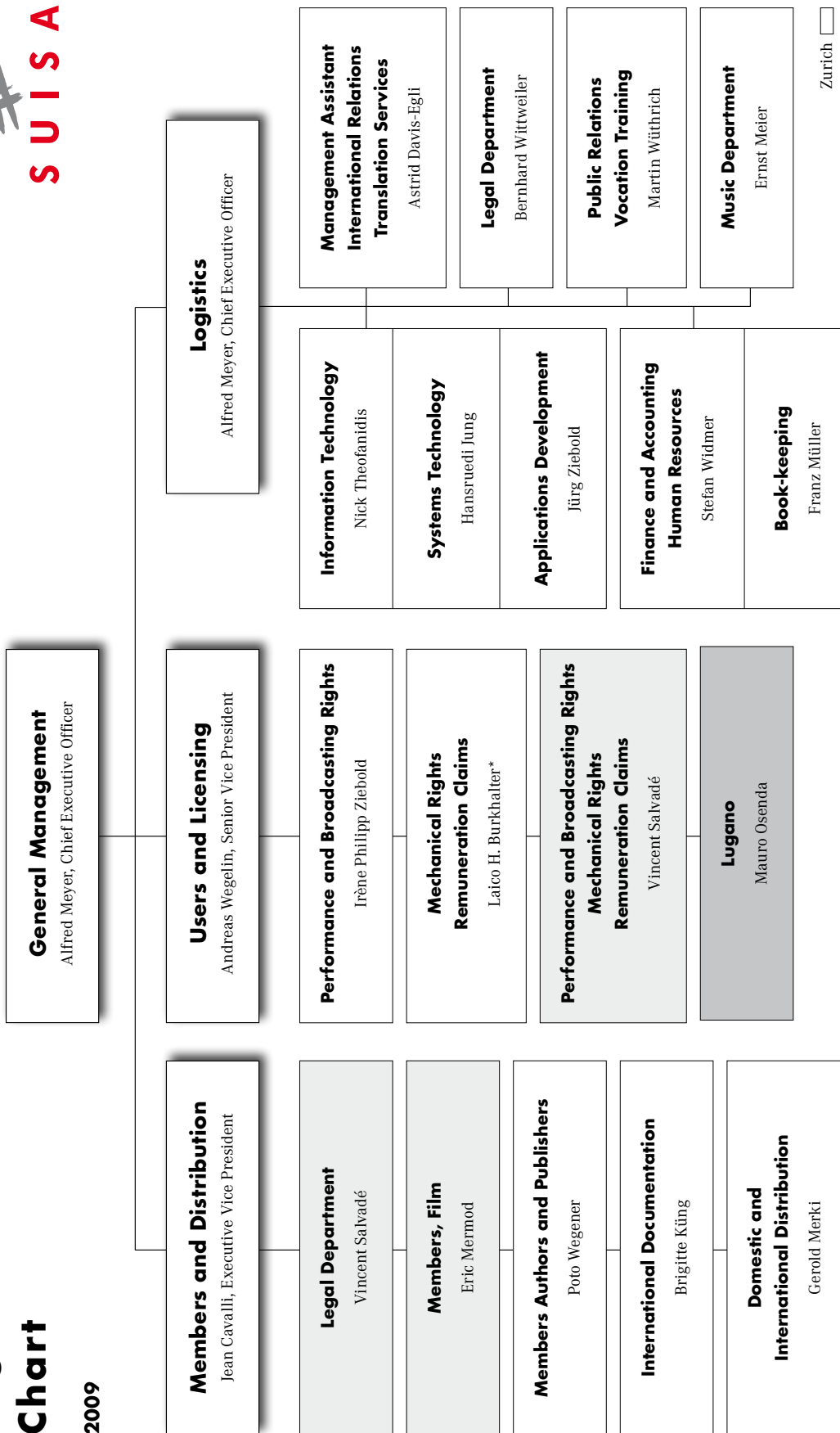
Jean Cavalli, Executive Vice President, is in charge of members' services and distribution.

Andreas Wegelin, Senior Vice President, is in charge of client services and licensing.

On 11 December 2008, Andreas Wegelin was elected by the Board to succeed Alfred Meyer. Alfred Meyer will retire in 2010. A smooth transition is thus guaranteed.

Organization Chart

2009



* Until 30. 4. 2009. From 1. 5. 2009 Fabian Wigger

2008 FINANCIAL STATEMENTS

Balance Sheet as at 31 December 2008

Assets

| | | | CHF (000) | |
|---|--------|---------|-----------|---------|
| Current assets | | | 2008 | 2007 |
| Cash and sight deposits | 56,834 | | 21,304 | |
| Term deposits and securities | 91,178 | | 102,225 | |
| Accounts receivable | 20,947 | | 21,727 | |
| Advances to members | 1,732 | 170,691 | 2,470 | 147,727 |
| Accruals | | 1,835 | | 1,219 |
| Fixed assets | | | | |
| Mortgages | 300 | | 814 | |
| Furniture, fixtures, equipment and vehicles | 1,711 | | 1,505 | |
| Bellariastrasse 82, Zurich | 12,011 | | 12,257 | |
| Avenue du Grammont 11 bis, Lausanne | 893 | | 912 | |
| Mutschellenstrasse 127, Zurich | 735 | 15,650 | 750 | 16,238 |
| Total Assets | | 188,175 | | 165,185 |

Liabilities

| Short-term liabilities | | | 2007 | |
|---|--------|---------|--------|---------|
| | | | 2008 | 2007 |
| Income for distribution | 87,300 | | 80,634 | |
| Additional distribution of released liabilities | 0 | | 2,800 | |
| Liabilities from settlements | 47,483 | | 42,680 | |
| Settled amounts not yet paid to members | 2,804 | | 1,634 | |
| Accounts payable | 34,797 | 172,385 | 23,508 | 151,255 |
| Deferrals | | 8,701 | | 6,931 |
| Long-term liabilities | | | | |
| Bad debt provisions | 1,685 | | 1,475 | |
| Cost compensation fund | 4,995 | | 4,939 | |
| Specific reserves | 410 | 7,090 | 585 | 6,999 |
| Total liabilities | | 188,175 | | 165,185 |

2008 Income and expenditures account

CHF (000)

| | 2008 | | 2007 | |
|---|--------|----------------|--------|----------------|
| Income from collective administration of royalties | | | | |
| from Switzerland and Liechtenstein | | | | |
| Mechanical rights | 32,269 | | 28,412 | |
| - third-party collection charges | -234 | 32,036 | -110 | 28,301 |
| Performance and broadcasting rights | 93,059 | | 90,602 | |
| - third-party collection charges | -1,091 | 91,968 | -992 | 89,610 |
| Net income | | 124,004 | | 117,911 |
| from abroad | | | | |
| Mechanical rights | 5,173 | | 4,568 | |
| Performance and broadcasting rights | 12,093 | 17,266 | 9,797 | 14,365 |
| Secondary income | | | | |
| Services to third parties | 252 | | 157 | |
| Collection charges for third parties | 1,682 | | 1,285 | |
| CAE/IPI subscriptions | 3,725 | | 3,292 | |
| Income from property | 532 | | 497 | |
| Other | 607 | | 252 | |
| Income on securities | 3,914 | | 2,977 | |
| Registration fees for new members | 183 | 10,894 | 189 | 8,649 |
| Total Income | | 152,164 | | 140,926 |
| Operating Expenses | | | | |
| Personnel | 19,270 | | 19,311 | |
| Premises | 669 | | 692 | |
| Bodies and committees | 392 | | 340 | |
| Office overheads | 621 | | 699 | |
| Electronic data processing | 1,866 | | 1,873 | |
| Other operating expenses | 266 | | 357 | |
| Maintenance and repairs | 302 | | 330 | |
| Bank charges | 3,437 | | 1,104 | |
| Depreciation | 1,801 | | 2,073 | |
| Taxes | 119 | | 375 | |
| Public relations | 560 | | 644 | |
| Memberships | 352 | | 406 | |
| International relations | 205 | | 168 | |
| Tariff-related expenditures | 233 | | 97 | |
| Project-related expenditures | 436 | -30,529 | 164 | -28,633 |
| Cost coverage grant from the cost compensation fund | | -57 | | 407 |
| Income for distribution to authors and publishers | | 121,577 | | 112,699 |
| Distribution in the current business year | | 25,652 | | 24,327 |
| in the following year | | 87,300 | | 80,634 |
| Allocation ¹⁾ 7.5 % to the Welfare Fund for authors and publishers | | 6,469 | | 5,804 |
| 2.5 % to the SUISA Foundation for Music | | 2,156 | | 1,935 |
| | | 121,577 | | 112,699 |

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 86,258,517.

Average cost coverage rate: 17.69 % for performance and broadcasting rights, and 8.53 % for mechanical rights, and 13.94 % in total.

Schweizerische Gesellschaft für die Rechte der Urheber musikalischer Werke
Société suisse pour les droits des auteurs d'œuvres musicales
Società svizzera per i diritti degli autori di opere musicali

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