



BILD-KUNST

2013 ANNUAL REPORT

I. Developments in 2013

1.1 Review of business developments

In the 2013 financial year total revenue from the administration of rights and legal remuneration claims totalled EUR 61,346k, a rise of EUR 2,708k on the previous year.

The rise is largely attributable to payments from the Central Organisation for Private Copying Rights (ZPÜ): following agreement between the participating collecting societies on a new distribution plan, the German Patent and Trade Mark Office as the supervisory authority approved the release of the remunerations not yet paid on account from the settlement with substantial parts of the PC industry for the years 2008 - 2010. For this reason VG Bild-Kunst achieved EUR 2,708k more revenue than in the previous year.

Excluding these special payments, the financial year proceeded as normal, with inconsistent fluctuations in the individual administration areas but maintaining an average level overall.

1.2 Position of the society

Net assets and financial position

The balances invested in securities, overnight money and time deposits with banks and the cash on hand totalling EUR 105,161k (previous year: EUR 108,024k) compare with distribution reserves of EUR 105,274k (PY: EUR 100,897k). The net assets and the financial position continue to be both stable and sound.

Existing obligations, particularly towards rightholders, the Stiftung Sozialwerk and the Stiftung Kulturwerk, can be met. There are no obligations towards banks.

Interest rates remained at an extremely low level in 2013. Funds were therefore invested and reinvested predominantly in short-dated time deposits and overnight money. Net interest income consequently fell sharply by EUR 612k.

The investment of EUR 16k relates to purchases of operating and office equipment, in this case largely IT and office supplies.

Results of operations

Total revenue rose by EUR 2,708k on the previous year. However, the individual administration areas performed inconsistently.

Detailed information on the individual administration areas is provided under "II. Notes to the development of total income".

Administration costs in the year 2013 fell by EUR 331k. The cost structures, including for personnel, are almost unchanged. However, the higher reimbursements obtained for administrative work led to a reduction in overall costs.

The number of members rose by 3.50%, the same figure as last year, with total membership now at 54,559. PG I has 12,977 members, PG II 31,412 and PG III 10,170.

Risks and opportunities of future development

All collecting societies are of course dependent on the development of the statutory principles, in particular copyright law at national, European and also global level. These developments may present risks and opportunities.

In 2014 Europe is to begin the process of adapting copyright directives to the new challenges resulting from digitisation. Restrictions on private copying and the rules on adequate compensation will also be in focus. In that regard there is a risk that at the end of this process the provisions of sections 54 ff. of the German Copyright Act (UrhG) might have to be adapted to a possibly lower European protection standard. On the other hand, there is the prospect of the whole system being stabilised as a result of a European semi-harmonisation of private copying fees.

At German level, the change in the law on private copying fees in 2008 is continuing to have negative consequences. Since then hardware levies have had to be negotiated between collecting societies and those liable to pay. Apart from an agreement on PC devices with the BCH and BIT-KOM associations in January 2014 (which will run until the end of 2016), all other major product groups are still involved in court disputes. As a result, ZPÜ – and hence also VG Bild-Kunst – is not receiving any continuous payments from them; instead, it is getting unpredictable back payments for the past at irregular intervals whenever a court case concludes or a settlement is agreed.

As in the previous year, the progress of the Martin Vogel ./ VG Wort proceedings will have an effect on the following year. In a verdict on 17.10.2013, the higher regional court, as the court of appeal, confirmed the first-instance verdict of Munich regional court of May 2012. This essentially concerns the blanket apportionment of revenue to authors and publishers, which the regional court found to be unlawful in its existing form. Since VG Bild-Kunst applies similar rules for distribution, a final verdict may have an impact on its distribution plans. VG Wort has lodged an appeal against the verdict of Munich higher regional court. The Federal Court of Justice is not expected to hand down its verdict before the end of 2015. In the 2013 financial year provisions were formed in the relevant collection areas for the possibility of restitution.

At European level, particular mention must be made of the ruling by the ECJ on 27.06.2013 that copies made in the PC – printer chain are likewise subject to royalty. Although the further proceedings and agreement process will certainly take some considerable time, significant additional income can be expected as a result.

The business premises of VG Bild-Kunst are leased from the support organisation Haus der Kultur e.V. The underlying lease runs out at the end of the 2014 financial year but has the option of renewal for a further 5 years. A change of premises is neither foreseeable nor likely at this present point in time, but would have a tangible effect on the results for the coming year.

2. Supplementary information

2.1 Events of particular importance after the close of the financial year

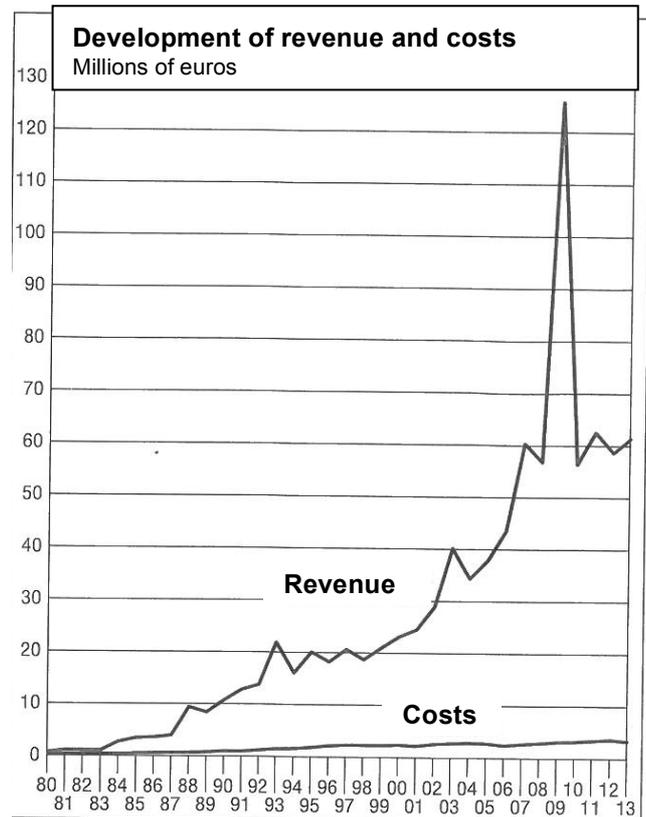
Directive 2014/26/EU, published on 20.03.2014, is of critical importance for all collecting societies. Depending on how it is implemented nationally, it may entail considerable organisational changes. Governments have a timeframe of two years in which to transpose the directive into national legislation. VG Bild-Kunst is already analysing all relevant aspects and preparing the steps that it deems to be necessary then.

In February 2014 the Administrative Council approved a modernisation of the internal IT systems at a cost of approx. EUR 300k. This investment is spread over several years and will have only a slight negative impact on the individual financial years. It is expected to deliver a tangible improvement in efficiency from 2015 at the latest, however.

There were no further events of particular importance.

2.2 Expected developments

As already mentioned under 2.1, transposition of the EU directive will entail organisational changes. Since all European collecting societies are affected, there may be transitional difficulties on the revenue side, but these will only be noticeable in terms of time, not amount. Higher costs must be anticipated according to the extent of the necessary measures, but these cannot be quantified as yet.



With regard to resale rights, AV Kunst is to expire at the end of 2014. As a consequence, this collection area, although it only realises around half the domestic income for resale rights, will have to be restructured and reorganised. While some minor transitional difficulties can be expected in the course of 2015, these will not have a significant downward effect on revenue.

The other administration areas will continue to perform inconsistently, as they have in the past. Depending on the back payments from ZPÜ, we expect results in 2014 to be lower but around the average and business to be stable.

Dr. Urban Pappi
Frauke Ancker

Werner Schaub
Rolf Silber

Development of total income

Net income in 2013 compared with previous years (in thousands of euros - €k):

Revenue stream	2009	%	2010	%	2011	%	2012	%	2013	%
Resale rights of visual artists	5,344	4.2	3,901	6.9	5,176	8.3	6,194	10.6	6,682	10.9
Reproduction rights (art and photography)*	3,684	2.9	5,232	9.3	3,582	5.7	3,823	6.5	3,754	6.1
Broadcasting rights*	622	0.5	673	1.2	688	1.1	700	1.2	710	1.2
Library royalties	1,253	1.0	904	1.6	1,236	2.0	901	1.5	1,181	1.5
Photocopier hardware levy	95,728	76.1	14,175	25.2	16,884	27.0	14,795	25.2	12,663	20.6
DVD burner, PC levy	0	0.0	0	0.0	8,358	13.4	5,187	8.8	6,560	10.7
Photocopier operator levy	844	0.7	918	1.6	860	1.4	780	1.3	759	1.2
Photocopier operator levy to schools	351	0.3	388	0.7	458	0.7	485	0.8	569	0.9
Press reviews	130	0.1	121	0.2	118	0.2	125	0.2	128	0.2
Reading clubs	71	0.1	68	0.1	66	0.1	66	0.1	68	0.1
Cable infeed, art/photography	1,089	0.9	583	1.0	543	0.9	582	1.0	638	1.0
Cable infeed, film	8,500	6.7	7,391	13.1	6,744	10.8	8,932	15.2	8,190	13.4
Rental of video cassettes	400	0.3	341	0.6	325	0.5	292	0.5	242	0.4
Video device and blank cassette levy	6,905	5.5	19,934	35.4	14,954	23.9	12,643	21.6	16,009	26.1
Broadcasting rights of film authors, foreign	364	0.3	1,232	2.2	1,201	1.9	930	1.6	2,099	3.4
Making available to the public, educational	476	0.4	475	0.9	1,334	2.1	2,202	3.8	1,093	1.8
Total	125,761	100.0	56,336	100.0	62,527	100.0	58,637	100.0	61,346	100.0

* The "reproduction rights" also include the broadcasting rights accounted for separately; "broadcasting rights" are the flat rates paid by public-sector institutions for broadcasting rights.

II. Notes to the development of total income

1. Resale rights/Ausgleichsvereinigung Kunst

In 2013 income of EUR 6,014k was realised from the blanket royalties paid by AV Kunst, EUR 781k more than in the previous year. Of this income, EUR 35k was spent on internal costs of AV Kunst and EUR 1,745k went on social security charges for artists, EUR 281k more than in 2012. Valuation adjustments of EUR 83k were required. The levy rate for 2013 was 2.0% for galleries and 2.1% for art auctioneers. In agreement with the art trade associations, AV Kunst is to terminate with effect on 31.12.2014. Revenue of EUR 1,249k was realised from sources other than AV Kunst in the year under report, EUR 87k less than in the previous year. Revenue from abroad climbed by EUR 56k to reach EUR 2,641k. A total of EUR 5,909k was allocated to the distribution reserves for resale rights, EUR 636k more than in the previous year. In 2013 EUR 4,247k was paid out to authors, EUR 64k allocated to Stiftung Sozialwerk and a further EUR 228k to Stiftung Kulturwerk.

2. Original reproduction rights and individual broadcasting rights

Revenue of EUR 3,754k was achieved from reproduction rights and individually collected broadcasting rights. Despite a EUR 270k increase in domestic revenue, the total realised was EUR 69k down on 2012, the reason being the EUR 339k decline in revenue from abroad. In total, EUR 3,173k was allocated to the distribution reserves. Distributions, which are paid twice yearly, totalled EUR 3,322 in 2013.

3. Blanket broadcasting rights of visual arts

The royalties for blanket broadcasting rights are in line with negotiated blanket agreements with public-sector broadcasters and, at EUR 710k, are almost unchanged on the previous year. Of this total, EUR 670k was allocated to the distribution reserves. EUR 510k was paid out to authors in 2013.

4. Library royalties

EUR 1,181k was received from library royalties in 2013, EUR 280k more than in the previous year. This increase is largely attributable to a back payment from the Central Organisation for Library Royalties (ZBT) for previous years. EUR 839k was allocated to the distribution reserves and payments totalling EUR 442k were made.

5. Royalties for reprographics

The total revenues of EUR 20,679k (PY: EUR 21,373k) comprise EUR 12,663k in hardware levies, EUR 6,560k in PC levies, EUR 759k in levies from major photocopier operators and EUR 569k in revenue from copying in schools.

The fall in revenue stems in the main from the EUR 2,136k decline in income from the hardware levies. EUR 988k less income was received for photocopiers, EUR 55k less for faxes and EUR 142k less for scanners than in the previous year. There were no levies at all from printers (PY: EUR 947k).

Due to the final payment from ZPÜ for the PC levy for the years 2008 - 2010, the total increase in revenue on the previous year after the transfer and re-formation of liabilities came to EUR 1,373k.

The operator levies (schools and major operators) in 2013 rose slightly by EUR 63k to reach EUR 328k in total. This figure includes revenues from the dispatch of copies to order and intra-library lending.

A total of EUR 19,337k from the royalties for reprographics was allocated to the distribution reserves. Total payments to authors came to EUR 16,513k.

6. Press reviews

Press review royalties (analogue and digital) remained almost unchanged in 2013 at EUR 129k (PY: EUR 125k). Of this income EUR 120k was allocated to the distribution reserves. Payments totalled EUR 197k.

7. Reading clubs

Reading club royalties, which are based on an agreement with the Association of German Reading Clubs, were likewise almost unchanged at EUR 68k (PY: EUR 66k). Payments to authors totalled EUR 63k, while EUR 64k was allocated to the distribution reserves.

8. Cable retransmission rights

EUR 8,828k in total (PY: EUR 9,514k) was collected for cable retransmission rights. Revenues for authors of still images rose by EUR 56k to EUR 638k. This rise is due mainly to greater income from abroad, which was up EUR 57k. Domestic revenue from payments from Central Organisation for the Reproduction of Television Broadcasts (ZWF) for cable retransmission in hotels and hospitals (EUR 5k) and internet usage by publishers (EUR 9k) also showed a modest increase. Revenue from German cable operators declined slightly (EUR -15k).

A total of EUR 478k was distributed and EUR 601k allocated to the distribution reserves.

Revenue from the cable retransmission of audiovisual works totalled EUR 8,190k (PY: EUR 8,932k). Payments from ZWF for hotel and hospital rooms (EUR 250k) brought in additional revenue, while slight falls were posted from general cable agreements (EUR -203k), the coexistence agreements with public-sector broadcasters (EUR -125k) and payments from abroad (EUR -664k). EUR 7,718k was allocated to the distribution reserves. In total, EUR 3,100k was distributed to authors and producers of films.

9. Intranet use for educational purposes

In the year under report total revenue was EUR 1,093k, EUR 1,109k less than in the previous year. For use within the meaning of section 52a UrhG, the partial making available to the public on internal networks of schools, universities and other educational institutions, VG BILD-KUNST collects the due royalties on behalf of the other collecting societies as well, except for VG WORT. The drop in revenue can be attributed to the fact that in the previous year royalties for prior periods had been received.

10. Rental of video cassettes, CDs and DVDs

Revenues from the rental of playable video cassettes, CDs and DVDs declined in 2013 just as they had done in previous years. EUR 242k in total was received, EUR 50k less than in the previous year. EUR 120k was distributed and EUR 244k was allocated to the distribution reserves.

11. Levy on hardware and blank media

EUR 16,009k was collected for audiovisual rights, EUR 3,366k more than in the previous year. This increase can be attributed largely to the new distribution rules within ZPÜ and its final payment for PC usage for 2008 - 2010. Revenue from abroad for primary royalties of directors also increased, rising EUR 1,173k to EUR 2,099k. This revenue came predominantly from Italy. EUR 22,827k was paid out to rightholders and a total of EUR 17,021k was allocated to the distribution reserves.

III. Sozialwerk

The "Stiftung Sozialwerk" social foundation receives the shares set out in the distribution plans of VG Bild-Kunst for the furtherance of its social purposes. In 2013 it was provided with EUR 690k, up from EUR 532k in the previous year. The other operating and net interest income came to EUR 251k. After deducting administrative costs, EUR 296k will be allocated to the funds of PG I, EUR 226k to the funds of PG II and EUR 287k to the funds of PG III.

The foundation capital remains unchanged on the previous year at EUR 10,518,170.34k.

The board of the foundation is made up of the same people as the honorary board members of VG Bild-Kunst, consisting of Frauke Ancker, Werner Schaub and Rolf Silber.

The CEO of the foundation in the 2013 financial year was Dr. Urban Pappi.

Decisions on the allocation of support funding are made by advisory councils, who were appointed for three years in 2010. **Until 6 July 2013** the advisory councils comprised:

PG I: Annemarie Helmer-Heichele (chairperson), Charlotte Dietrich, Rolf Nickel, Dorothee Rocke, Werner Schaub, Detlev Schweiger, Frank Michael Zeidler

PG II: Udo Milbret (chairperson), Barbara Deller-Leppert, Lutz Fischmann, Marcus Frey, Lutz Hackenberg, Jan Roewer, Bernd Weise

PG III: Inga Sauer (chairperson), Jürgen Bretzinger, René Gundelach, Gunther Hanfgarn, Manuel Heyer, Dietmar Kraus, Ingrid Zoré

On 6 July 2013 new elections were held for the advisory councils, again for a term of three years. **From 6 July 2013** they comprise the following persons:

PG I: Annemarie Helmer-Heichele (chairperson), Charlotte Dietrich, Michael Kress, Klaus Nerlich, Dorothee Rocke, Werner Schaub, Frank Michael Zeidler

PG II: Udo Milbret (chairperson), Barbara Deller-Leppert, Lutz Fischmann, Marcus Frey, Jan Roewer, Paula Tamm, Bernd Weise

PG III: Inge Sauer (chairperson), Mathias Bauer, Manuel Heyer, Babette Rosenbaum, Axel Schill, Bettina Woernle, Ingrid Zoré

In professional group I support payments totalling EUR 425k were made to 753 artists in all, EUR 74k of this as one-off support payments to 38 artists and EUR 176k as ongoing maintenance to 80 applicants. In addition, 635 artists received grants totalling EUR 175k in the Christmas campaign.

In professional group II EUR 418k was distributed to 763 photographers, designers and illustrators. EUR 210k was paid in ongoing support to 73 applicants and another EUR 22k as one-off assistance to 13 authors. In addition, 677 authors of PG II received a total of EUR 186k in Christmas money.

Professional group III made ongoing support payments totalling EUR 52k to 16 applicants and EUR 8k in 4 individual cases. In addition, EUR 61k was paid to 223 film authors as Christmas money. In total, support payments came to EUR 12k over 243 cases.

IV. Kulturwerk

The "Stiftung Kulturwerk der VG Bild-Kunst" social foundation was given approval by the regulatory authorities on 03.12.2009. At that time the foundation entered into all rights and obligations of its predecessor, Kulturwerk der VG Bild-Kunst GmbH. Kulturwerk der VG Bild-Kunst GmbH was finally dissolved in 2013. The registered share capital of Stiftung Kulturwerk, totalling EUR 4,300,000.00, was increased to EUR 4,969,813.95 in 2011.

Income from the registered share capital is earmarked solely for PG II, income from the additional funding in 2011 solely for PG III.

The board of the foundation is made up of the same people as the honorary board members of VG Bild-Kunst consisting of Frauke Ancker, Werner Schaub and Rolf Silber.

The CEO of the foundation in the 2013 financial year was Dr. Urban Pappi.

In 2013 Stiftung Kulturwerk der VG Bild-Kunst received EUR 1,121k from the shares in the distribution plans of VG Bild-Kunst and EUR 151k in interest and other income, i.e. a total of EUR 1,272k, compared with EUR 1,044k the previous year. After deducting administrative expenses the net figure was EUR 1,138k, of which EUR 549k is intended for PG I. This figure includes the publishers' share of the library royalties of EUR 272k. This year PG II received EUR 202k from the shares for promoting cultural objectives in the distribution plans, PG III EUR 387k.

In agreement with the boards of Stiftung Kunstfonds, in PG I EUR 40k was paid in direct subsidies from the royalties received in 2013; Stiftung Kunstfonds received EUR 428k for ongoing support activities. A further EUR 100k was spent as agreed on contributions to the ongoing costs of the archive of artists' estates. On 6 July 2013 an advisory council with a term of office of three years was elected for PG I for the first time. It comprises Werner Schaub as chairperson, André Kestel, Michael Kress, Dorothee Rocke, Ulla Windheuser-Schwarz and Frank Michael Zeidler.

In PG II a total of 55 working projects in the fields of photography, illustration and design received assistance to the tune of EUR 327k for the first time in 2013. In addition to advisory council chairman Bernd Weise, the advisory council of PG II comprised Lutz Fischmann, Urs Kluyver, Jan Köhler-Kaeß, Rolf Nobel, Heiko Preller and Norbert Waning. This advisory council was confirmed in office by the new elections on 6 July 2013 and will continue in existence with the same members for another three years.

In PG III assistance totalling EUR 127k was given to a total of 9 projects in the year under report. Until 6 July 2013 the advisory council comprised C. Cay Wesnigk (chairperson), Stefanie Bieker, Markus Bräutigam, Dr. Jürgen Kasten, Rüdiger Laske, Katharina Schmidt and Niki Stein von Kamienski. Following new elections, from 6 July 2013 the advisory board has consisted of C. Cay Wesnigk (chairperson), Mathias Kammermeier, Dr. Jürgen Kasten, Dietmar Kraus, Rüdiger Laske, Thorolf Lipp and Niki Stein von Kamienski.

IV. Internal matters

1. Members

The number of members of VG Bild-Kunst increased across all three professional groups: PG I (visual arts) has 12,977 members, PG II (photography and design) 31,412 and PG III (film) 10,170. Overall, membership rose by 1,846, or 3.5%, in the year under report to total 54,559.

2. General Meeting

The Annual General Meeting was held in Bonn on 6 July 2013. Following debate on the reports on the 2012 financial statements presented by the Executive Board and the auditors, the Executive Board was discharged unanimously. The distribution plans were modified in some points. Among other amendments, the distribution of the hardware levy for previous years was regulated in the distribution plan for copying royalties, and a restriction on online use was lifted in respect of digital reprography. Distribution plans 6, 8 and 9 were revised. The honorary board members and the Administrative Council were elected. The full minutes of the General Meeting of 6 July 2013 and of the professional group meetings of the same day are available to members on request.

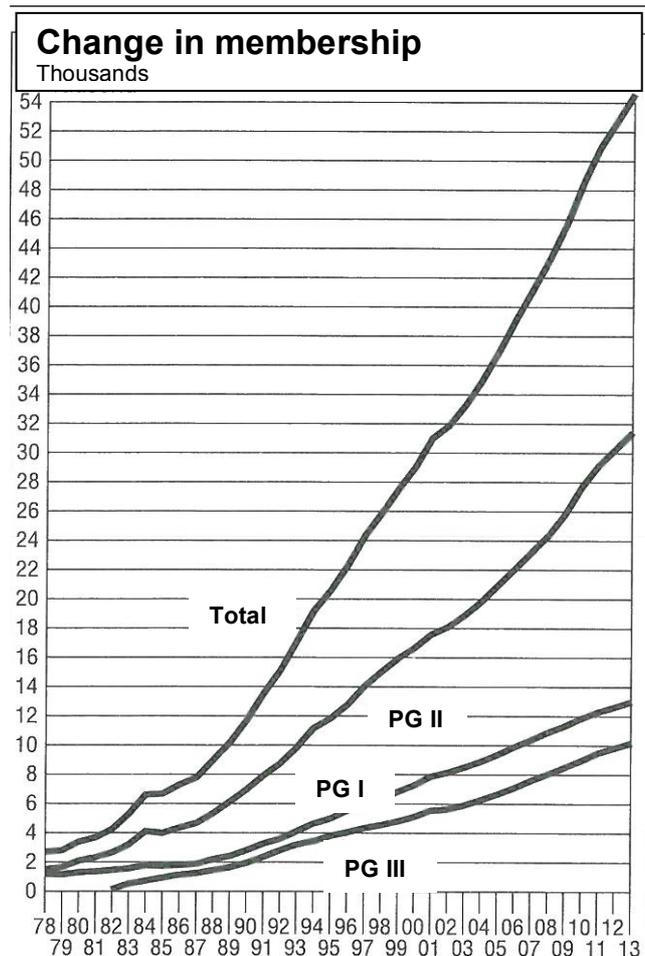
3. Administrative Council and Executive Board

In 2010 the Executive Board and Administrative Council were elected by the General Meeting for a term of office of three years. **Until 6 July 2013** the Administrative Council was made up as follows:

Ordinary Administrative Council members	Deputy Administrative Council members
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PG I

Frank Michael Zeidler (chairman)	Charlotte Dietrich
Annemarie Helmer-Heichele	Marianne Gielen
Erhard Kalina	Benjamin Schubert
Hartmut Neumann	Ulla Windheuser-Schwarz
Michael Wienand	Adil-Dominik Al-Jubouri



PG II

Lutz Hackenberg (chairman)	Lutz Fischmann
Dr. Bettina Preiß	Marcus Frey
Jan Roewer	Andreas Langen
David Seiler	Angelika Osthues
Bernd Weise	Benno Pöppelmann

PG III

C. Cay Wesnigk (chairman)	Stefanie Bieker
Thomas Frickel	Gunther Hanfgarn
Karin Nowarra	Dr. Jürgen Kasten
Jobst Christian Oetzmann	Dr. Michael Neubauer
Jost Vacano	Wolfgang Schimmel

Until 6 July 2013 the Executive Board consisted of Werner Schaub (PG I), Frauke Ancker (PG II) and Rolf Silber (PG III) as honorary board members; the Chief Executive Officer was Dr. Urban Pappi.

At the **new elections on 6 July 2013** the new Administrative Council and Executive Board were elected, again for a term of office of three years. The results of the new elections were as follows:

Ordinary Administrative Council members	Deputy Administrative Council members
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PG I

Frank Michael Zeidler (chairman)	Adil-Dominik Al-Jubouri
Annemarie Helmer-Heichele	Charlotte Dietrich
Erhard Kalina	Lutz Hirschmann
Hartmut Neumann	Lorenz Müller-Morenius
Michael Wienand	Ulla Windheuser-Schwarz

PG II

Lutz Fischmann (chairman)	Alexander Koch
Marcus Frey	Dorothea Lanc
Angelika Osthues	Benno Pöppelmann
Dr. Bettina Preiß	Victoria Ringleb
Jan Roewer	David Seiler

PG III

C. Cay Wesnigk (chairman)	Peter Carpentier
Thomas Frickel	Stefan Eberlein
Jobst Christian Oetzmann	Dr. Michael Neubauer
Katharina Schmidt	Adrian Ochse
Jost Vacano	Wolfgang Schimmel

The Executive Board was confirmed in office and **from 6 July 2013** has consisted of Werner Schaub (PG I), Frauke Ancker (PG II) and Rolf Silber (PG III) as honorary board members; the Chief Executive Officer remains Dr. Urban Pappi.

4. Administration and administrative costs

In addition to its Chief Executive Officer, in the year under report VG Bild-Kunst had 23 (PY: 22) full-time and 19 (PY: 19) part-time employees. 3 employees work at the Berlin office, which is run in conjunction with VG WORT. After including extraordinary income and expenses, total administrative costs fell 9.03% to EUR 3,334k (PY: EUR 3,665k). The average administration cost ratio in 2013 came to 5.43% (PY: 6.25%) of income excluding interest income. This ratio is composed of contractually fixed ratios of 4% to 25% for rights of foreign authors, 10% to 12% for the administration of individual rights of members and 5.02% in all other areas.

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