



BILD-KUNST

2018 ANNUAL REPORT

I. The 2018 financial year at a glance

The 2018 financial year had many faces: It will be remembered because of peak level pay-outs of 246.5k EUR – never before Bild-Kunst has been able to distribute such high revenues, this only being possible because of extraordinary circumstances. One major reason was the appliance industry's high supplementary payments for private copying in the previous year. In the financial year 2017 Bild-Kunst has realized supplementary payments of the appliance industry for the 2008 – 2015 years of usage totalling 87,847k EUR, among that solely 78,845k EUR for the products “mobile phone” and “tablet”. To that extent this constitutes a singular special effect that probably will not repeat itself.

As expected, results of the financial year 2018 declined by 72,812k EUR. Special effects blanked out, the financial year 2018 shows to be an average financial year.

The previous financial year's high revenues could be distributed in financial year 2018 combined with the revenue from rescission of the publishers' share. Thereby, distributions for previous years have been added as supplement to the respective years, but distributions for years of usage as of 2017 already are being executed according the new distribution plan being valid since 2017 which required several adjustments with regard to notifications and performance. These adjustments will be finished for all distribution areas in 2019.

1. Total income

In the financial year 2018 the total income amounted to 56.348k EUR, thereby being slightly lower than the average revenue to be expected in normal circumstances which is considered to lie between 45k and 55k EUR.

Once again Bild-Kunst received in 2018 back payments for the past for private copying, namely for the “PC” product for 2008 – 2010; 3,008k EUR for the area art/picture and 2,684k EUR for film royalties.

As regular revenues in the single administration areas have developed differently but within usual variation range, the financial year 2018 with total revenues of 56,348k can be considered a normal, average financial year.

2. Payouts

A total of 246,458k EUR was paid out in 2018 – eight times as much as in the previous year 2017!

On the whole 196,558k EUR have been paid out to rightholders, of that 141,547k EUR to rightholders of professional groups art and picture and 55,011k EUR to rightholders of administration area film. Additionally, 48,438k EUR have been forwarded to other German collecting societies, among that 44,241k EUR to VG Wort. Refunds to VG Wort had become necessary in the context of the BGH (Federal Supreme Court) judgment “Publishers Share”, because Bild-Kunst was no longer allowed to administrate “publishers shares” for VG Wort rightholders as having been agreed upon since 1989. According to the previous agreement Bild-Kunst would have paid out the revenues to publishers.

3. Key events

The law having become effective on March 1st, 2018 on “Copyright harmonization to current requirements of the Knowledge Society” (UrhWissG) introduces a homogenous education and knowledge threshold in order to newly regulate the use of protected works at schools, universities and libraries. In parts the reform deeply interferes with the previous licensing practice, especially concerning works of photography and related procedures, in particular for publishers and museums. The law implementation entails many detail problems and therefore can only be executed slowly and in stages. Specific consequences for example on the Bild-Kunst collection can only be estimated as soon as open legal detail questions have been sorted out. In general, no decline, but an increase in collection can be expected.

The European Court of Justice has considered in its judgement of January 18th, 2017 (Case C-37716 – SAWP) on a Polish proceeding that transfer and administration of rights do not constitute a service according to sales tax law. Therefore, revenues for legal remuneration claims acc. § 27 and §§ 54, 54a, 54b and 54c as well as § 60h German Copyright Law (UrhG) by liable parties to collecting societies as well as the distribution of these revenues no longer is amenable to sales tax law. Even if collecting societies and the federal treasury have not

yet finally clarified which claims to remuneration will be subsumed under the provision in question, nevertheless the existing practice in the affected administration areas will change fundamentally. Relating thereto are essential changes in book-keeping and settlement and it remains to be seen how this will affect concretely the concerned authors and the administration of their rights.

In a test case between Bild-Kunst and Stiftung Preußischer Kulturbesitz the German Federal Supreme Court has decided on 2019-04-25 to submit the case to the European Court of Justice. The matter in dispute is about granting rights to Deutsche Digitale Bibliothek (German Digital Library) for which Bild-Kunst had set the condition to have the user install a valid protection against “framing”, i.e. integration of licensed content on external websites. The lower courts had rejected this demand referring to current EuCJ jurisdiction according to which “framing” is no copyright-relevant use. Bild-Kunst appreciates the case being put to European jurisdiction and relies on the court diversifying its previous jurisdiction on framing. Hereof all rightholders in the visual area would profit.

The legislative procedure on a new European Copyright directive was completed in April 2019. After publication in the Official Journal the EU member states then have a two-year period for implementing the provisions into national legislation. The directive is of outstanding importance to Bild-Kunst, because it

- for the first time establishes the possibility to grant licences to platform operators that offer content uploaded by their users;
- empowers member states to introduce a share for publishers in the authors’ copyright remuneration;
- establishes the instrument to extend collective licences on works of third parties not being represented (extended collective licence);
- introduces a European ancillary copyright for newspaper and magazine publishers, provided that authors get their share.

4. Administrative costs

Administrative costs for the 2018 financial year totalled 5,928k EUR, comprising 3,555k EUR in personnel costs and EUR 2,237k in other expenses, EUR 122k in amortisations resp. write-offs and EUR 13k in tax. These costs are reduced by EUR 637k for other operating income, particularly reimbursements for administrative services. Additionally, in the financial year for the first time § 19 [4] of the distribution plan has been applied: EUR 570k of non-payable claims have been used to reduce administrative costs. On balance, administrative costs for the financial year 2018 amount to EUR 4,721k and so have increased by EUR 451 compared to previous year’s administrative costs. Cost increases mainly stem from increased IT costs of EUR 149k, from distribution delivery costs of EUR 105k, data protection of EUR 42k as well as surveys and legal remedies costs of EUR 155k.

According to the directive on investment management Bild-Kunst is only entitled to invest money gilt-edged and has to keep it available for distribution in good time. Thus, possible forms of investment unfortunately only reach negative interest rates. Therefor and as in the previous financial year only negative interest results were achieved, but this time in considerable size of EUR –407k. The high negative interest rates were due to high distribution provisions, but these could be reduced substantially by the record distributions (see above, no. 2) of the financial year 2018. Even if negative interest rates cannot be avoided in the future, because of lesser distribution provisions a distinctively lower financial burden can be anticipated.

- The average administrative cost ratio of the 2018 financial year amounts to 8.38 % (previous year: 3.31 %). As the administrative cost ratio is measured related to the revenue amount, this increase is inevitable because of the significant decline in revenues from 2017 to 2018.

5. Members and committees

In 2018 Bild-Kunst included 1,212 new members, the total number of members being represented now amounting to 61,577.

Professional group I has 14,170 members, professional group II 35,527 and professional group III 11,880 altogether.

The General Meeting was held in Bonn on July 28, 2018. In the run-up of the meeting electronic voting has been offered, additionally the General Assembly was transmitted on the internet for registered members. These electronic supplies have unfortunately only been used by very few members, so that the cost-benefit relationship is fully unbalanced; but Bild-Kunst is legally bound to offer electronic voting since January 1st, 2017.

The Administrative Council met on January 25, 2018 in Berlin and on April 26, 2018 and July 27, 2018 in Bonn. The professional group meetings of professional group I met on May 2nd, 2018, those of professional group II on May 3rd, 2018 and those of professional group III on April 27, 2018. All professional group meetings have been held in Bonn.

6. Office

In 2018, the Bild-Kunst office in Bonn had 27 full-time and 22 part-time staff. The office’s lease runs until December 31st, 2019.

Furthermore, Bild-Kunst holds an interest in a Berlin office run jointly with VG Wort.

II. Revenue results in 2018 in detail

The income being resented followingly in section 1 solely relates to images (professional groups I and II), income in section 3 solely to film (professional group III). The income presented in section 2 refer to both areas and thus benefits all Bild-Kunst members.

1. Fine arts and image income

The income presented in this section comprises resale rights (a.), reproduction and online rights (b.) as well as broadcasting rights (c.), so called primary rights (exclusivity rights) Bild-Kunst administers in the area of fine arts. Furthermore, statutory royalty claims are generated with reprography levies (d.) and reading club royalties (e.) applying exclusively to still images, therefore only rightholders of professional groups I and II benefit.

a. Resale rights

When a work of fine arts is resold by an art dealer or auctioneer, the artist acquires a statutory claim to a share of the sale proceeds. In Germany this resale right (§ 26 UrhG) is administered by Bild-Kunst. Blanket contracts exist with the professional organisations BVDG, BDK, KD and VDA, simplifying administration procedures.

Mandate

Mandate professional groups I and II: § 1 no. 1 d)

Collection sources

By its own resale right administration Bild-Kunst generated income in Germany, for foreign resales it received fees for its members from its sister organisations.

Basis of distribution

Distribution plan section 23, fine arts and image resale rights distribution line is being applied. Since in every transaction the name of the rightholder is known, settlement is on a net individual basis. Usually no non-distributable income does not arise.

2018 income

• Total income

Income from resale rights in 2018 totalled EUR 6,408k and thus by EUR 326k are above those of the previous year. The revenue increase largely stems from a risen number of national territory sales.

• Income from Germany

In Germany Bild-Kunst generated an income of EUR 4,526k for resale rights. For reversing transactions of AV Kunst having been liquidated in 2015 EUR 47k had to be spent.

• Foreign income

Foreign sister societies have transferred EUR 1,882k to Bild-Kunst for sales of works subject to resale rights of our members abroad.

Netting (interest, deductions, allocations)

The distribution plan of 2018-07-28 fixed administrative cost deductions from year-to-date revenue at 15 % for direct and 5 % for indirect revenue. The standard cost ratio of the financial year for direct and indirect revenue is 6.79 %.

Administrative costs of EUR 427k and EUR 8k pro rata for negative interest rates were incurred. From the 2018 payouts EUR 89k was allocated to Stiftung Sozialwerk and EUR 221k to Stiftung Kulturwerk. EUR 5,663k was allocated to the distribution reserves.

b. Reproduction & online rights

For members of professional group I (fine arts) Bild-Kunst allocates reproduction, distribution, online and presentation rights to users, mainly publishers.

Mandate

Mandate professional groups I and II: § 1 no. 1 a), no. 2 a) and b)

Collection sources

Bild-Kunst has published tariffs for reproduction and online rights. Based on them Bild-Kunst licenses uses nationally. In addition, there are two blanket contracts: with the Börsenverein des Deutschen Buchhandels (bookshops) and the Deutscher Museumsbund (museums). Further blanket contracts from other areas also include online rights.

Abroad uses are managed by the Bild-Kunst sister societies.

Basis of distribution

When granting rights and licenses, the name of the rightholder is known. Hence usually no non-distributable sums arise. Revenues are being distributed to rightholders according to § 24 distribution plan on Primary rights for fine arts and images. Where rights are granted collectively and no information exists on the used works or the concerned rightholders, revenues are allocated to the copying royalties distribution shares.

2018 income

In 2018 in total EUR 3,816k was taken in, EUR 39k more than in the previous year. This is due to a drop of EUR 97k in domestic income and a rise of EUR 136k in foreign income. There were also slight increases due to adaptations of valuation adjustments to receivables.

For media control supplements EUR 133k was realized, an increase of EUR 53k to the previous year.

Netting (interest, deductions, allocations)

The distribution plan of 2018-07-28 fixed administrative cost deductions for intrayear revenue at 18 % for direct and 15 % for indirect revenue. The financial year's standard cost ratio for direct and indirect revenue is 17.92 %.

The total income of EUR 3,816k has to be set against administrative costs of EUR 682k. Allocations to Stiftung Sozialwerk amounted to EUR 19k and to Stiftung Kulturwerk EUR 21k. Naturally near-term distributions caused only a small negative interest amounting to EUR 2k. Allocations to distribution reserves amounted to EUR 3,092k.

c. Broadcasting rights

Bild-Kunst grants blanket broadcasting rights for the transmission of fine arts images to public broadcasters. This applies to members of professional group I (fine arts). Exploitation by private broadcasters is licensed according to the tariff.

Mandate

Mandate professional groups I and II: § 1 no. 2 b)

Collection sources

The blanket contract with ARD concluded in 2015 has not been terminated. The individual blanket contract with ZDF has been prolonged until the end of 2018 in order to create parity. The contract with Deutsche Welle further exists without termination.

Basis of distribution

§ 27 of the distribution plan applies which governs the flat-rate broadcasting rights (fine arts) distribution line. Bild-Kunst ascertains exploitation in television independently of it representing rights. Rightholders of non-members are being searched for individually at a maximum of three years and offered retroactive compensation. Income that cannot be allocated will be added after five years to the distribution of the current year.

2018 income

Based on blanket agreements for broadcasting rights (fine arts) Bild-Kunst received EUR 668k, a constant revenue compared to the previous year.

Netting (interest, deductions, allocations)

The distribution plan of 2018-07-28 fixed administrative cost deductions for intrayear revenue at 18 % for direct and 0 % for indirect revenue. The financial year's standard cost ratio for direct and indirect revenue is 16.31 %. Negative interest amounts to EUR 1k, proportionate administrative costs to EUR 108k. Allocations to Stiftung Sozialwerk and Stiftung Kulturwerk were not made (in the annual report), but will be carried out in the distribution year.

d. Reprography levies

This section covers all levies constituting statutory compensation for permission-free copying of (solely) text and images.

d.1. Hardware and storage media levy

Since the amendments of January 1st, 2008 the reprography levy has been a subset of the general private copying levy acc. § 54ff. UrhG. It primarily concerns mere printers and multi-purpose devices.

Mandate

Mandate professional groups I and II: § 1 f)

Collection sources

Bild-Kunst holds a collection agreement with VG Wort and both VG Wort and Bild-Kunst concluded a blanket contract with BITKOM. The royalties collected by VG Wort are divided between VG Wort and Bild-Kunst based on empirical studies on the single hardware classes. These empirical studies are

being reviewed in an approximate three year rota and the division being adjusted accordingly.

Bild-Kunst also receives money for foreign reprography levies.

Basis of distribution

Revenue is paid out to rightholders through the distribution lines in accordance with §28 Copying royalties analogue sources (fine arts), § 29 Copying royalties digital sources (fine arts), § 32 Private copying royalties analogue sources (image) and § 33 Private copying royalties digital sources (image) of the distribution plan.

In accordance with the relevant distribution schemes, distributions are based on rightholders' notes and, for fine arts, also by supplements on payouts for the primary rights. A share is paid as lump sum transferred to the sister societies for copies of foreign publications in Germany and from foreign websites. Because of the note-based system there is no non-distributable income.

2018 income

The reprography hardware levy for photocopiers, faxes, scanners and printers is collected through VG Wort.

Revenues amounted to overall EUR 10,677k, signifying a decrease of EUR -672k compared to the previous year. This decrease results in a temporally limited distribution between VG Wort and Bild-Kunst. Both collecting societies for the time being are negotiating a new distribution key expected to be applied retroactively from 2018-01-01.

The revenue comprises EUR 9,114k in income for multifunctional devices, EUR 19k for faxes, EUR 430k for scanners and EUR 1,115k for printers.

Netting (interest, deductions, allocations)

The distribution plan of 2018-07-28 fixed administrative cost deductions from year-to-year revenue at 8 % for direct and indirect revenue for fine arts and images. The standard fine arts cost ratio of the financial year is 9.9 % for analogue and digital private copying royalties. For image rights, cost ratios are 12.08 % for analogue and digital copying royalties.

The pro-rata administrative cost for the hardware levy is EUR 1,104k, negative interest applies with EUR 146k. The amounts for the foundations will only be allocated in the following year together with the revenue pay-out.

d.2. Operator levy

To compensate the permission-free copying of text and images, besides the hardware and storage media levy rightholders also receive payments acc. §§ 54c and 60e par. 5, h UrhG from institutions that operate such devices.

Mandate

Mandate professional groups I and II: § 1 no. 1 f), no. 1 o)

Collection sources

VG Wort also collects the operator levy and remuneration for copying on demand (from commercial institutions, for example copy shops, but also universities and libraries).

ZFS (Zentralstelle Fotokopieren an Schulen) collects those levies from schools.

Basis of distribution

Section II.1.d.1) also applies here.

2018 income

- Total income
EUR 843k was realized through the operator levies, compared to the previous year an increase of EUR 26k.

- Major operators through VG Wort

The revenue received through the major operator levy in 2018 included EUR 164k from universities, EUR 148k from copy shops, EUR 72k from retailers and EUR 90k from other educational institutes. Compared to the previous year, all figures have increased slightly. Accordingly, VG Wort's commission rose to EUR 24k.

- Copies on demand

Revenue for copies on demand have declined for years. In 2018 revenue of EUR 82k have been realized, EUR 1k less than in the previous year. The account is also settled by VG Wort.

- School copying

ZFS administers the school copying revenue. In 2018 Bild-Kunst received EUR 1,092k, a plus of EUR 109k compared to the previous year which is due to newly negotiated blanket royalty agreements with the federal states and a new distribution ratio between the participating collecting societies.

- Foreign income

10 sister societies from abroad have transferred EUR 313k in all, compared to EUR 356k in the previous year. This revenue is generated under operator levy, though parts of it stem from foreign hardware levies, the reason being the sister societies not differentiating between the two. However, this does not affect the Bild-Kunst distribution.

Netting (interest, deductions, allocations)

The average administrative cost ratio amounts to 10.01 % for fine arts and to 11.53 % for images. Administrative costs came to EUR 196k. Negative interest of EUR 18k must be deducted, the amounts for the foundations will only be allocated in the following year together with the revenue pay-out. Allocations of EUR 1,721k to the distribution reserves were possible.

d.3. Press reviews

No permission is required for reproducing and distributing of image works in press reviews, neither analogue nor digital. However, § 49 par. 1 UrhG requires compensation being paid to the rightholders.

Mandate

Mandate professional groups I and II: § 1 no. 1 g)

Collection sources

Royalties for analogue press reviews are collected by VG Wort. Bild-Kunst itself collects the royalties due for electronic press reviews.

Basis of distribution

Revenue is paid out to rightholders corresponding to the distribution lines according § 30 Press review royalties (fine arts) and § 34 Press review royalties (images).

For fine arts the distribution is executed by way of copying royalty (art exhibition). For images the distribution is based on the rightholders' notifications. There is no non-distributable income.

2018 income

- Total income
In the financial year 2018 a total of EUR 349k was received. As in previous years, the increase of EUR 48k is due to intensified electronic exploitation. By contrast, uses in print products have declined significantly for years.

- Print products via VG Wort

For print products EUR 23k was realized, compared to EUR 27k in the previous year.

- Digital products by individual agreement

Contracts exist with Presse-Monitor Deutschland GmbH and Landau Media. Revenue in 2018 totalled EUR 326k, a rise of EUR 52k on the previous year.

Netting (interest, deductions, allocations)

The distribution plan of 2018-07-28 fixed administrative cost deductions from year-to-year revenue at 8 % for direct and indirect revenue for fine arts and images. The financial year's regular administrative cost ratio amounts to 9.89 % for fine arts and to 10.58 % for images.

Due to low revenue only EUR 1k of negative interest must be deducted. Administrative costs amount to EUR 36k. There will be no allocations to the foundations. Allocations of EUR 312k to the distribution reserves were possible.

e. Reading clubs

Rental rights are regulated in § 17 (3) UrhG. For images, the right to forbid rests either with the creator of the work or with a user, such as a publisher, if the creator of the work has transferred the right to forbid to the latter.

Mandate

Mandate professional groups I and II: § 1 no. 1 e), alternative 1

Collection sources

In this field Bild-Kunst also collects royalties for VG Wort. A blanket contract exists with the Association of German Reading Clubs (Verband Deutscher Lesezirkel e.V.) which collects the contributions from payment debtors and forwards them to Bild-Kunst.

Basis of distribution

Distribution follows the same lines as the press review royalties, compare §§ 30, 34 no. 1.

2018 income

Revenue in the financial year 2018 amount to EUR 65k, thus being on average level.

Netting (interest, deductions, allocations)

For administrative cost ratio also II.1.d.3) applies. Administrative costs amount to EUR 7k.

Allocations of EUR 58k were supplied to the distribution reserves.

2. Income from image and film royalties

This section outlines income from statutory royalty claims concerning both images and film and therefore benefiting members of all Bild-Kunst professional groups. These are (a.) the library royalty, (b.) income from §§ 52a, 60a, c, h UrhG – intranet use for educational purposes), (c.) cable retransmission rights and (d.) the private copying levy.

a. Library royalties

§ 17 (2) UrhG allows works to be lend out after having been placed on the market. If a publicly accessible institution lends the work, the rightholder is entitled to a remuneration acc. § 27 (2) UrhG. Both this and the royalty claim for reading terminals in libraries (old: § 52b UrhG; new: § 60e no. 4 UrhG) are summarized here under "library royalties".

Mandate

Mandate professional groups I and II: § 1 no. 1 e), alternative 2; no. 1 h)

Mandate professional group III: § 1c); 1m)

Collection sources

Royalties are collected by the Central Organisation for Public Lending Rights (Zentralstelle Bibliothekstanieme, ZBT). VG Wort administers royalties for electronic terminals.

Basis of distribution

Of the revenue from the library royalty, 12.5 % is allocated to the distribution line acc. § 25 library royalty fine arts, 48.25 %

to distribution line acc. § 26 library royalty images and 39.25 % to distribution line acc. § 38 private copying film.

2018 income

• National income

In the financial year 2018 the total income of EUR 963k remained constant. This national income is put together of EUR 585k income for the image area and of EUR 378k income for the film area.

• Foreign income

In 2018 Bild-Kunst received EUR 65k from abroad. The whole foreign income is attributed to audio-visual rights.

Netting (interest, deductions, allocations)

Administrative costs of EUR 79k as well as negative interest of EUR 4k must be taken into account. There will be no allocations to the foundations. On balance, allocations of EUR 951k were added to the distribution reserves.

b. Intranet use for educational purposes

§§ 60a and 60c (formerly: § 52a) UrhG allows the use of protected works on any intranet of educational (e-learning) and scientific research institutions, granting a claim to compensation remuneration to the rightholder.

Mandate

Mandate professional groups I and II: § 1 no. 1 h)

Mandate professional group III: § 1m) (since 2015)

Collection sources

ZBT under VG Wort responsibility administers the royalty claims for intranet use in schools. For college and university intranet uses Bild-Kunst, also acting on behalf of the other participating collecting societies, has negotiated an agreement with the federal states.

Basis of distribution

The 2017 distribution plan allocates revenue to distribution line §§ 29 and 33, private copying royalties for digital sources fine arts respectively image and for the audio-visual area to distribution line § 38 private copying royalties for film.

2018 income

• Total income

In 2018 a total of EUR 1,546k was collected, which is an average revenue.

• Universities

It is Bild-Kunst responsibility to collect the revenue on behalf of all other participating collecting societies as well. In the financial year Bild-Kunst received a total of EUR 1,428k.

• Schools

ZBT is responsible for the collection. The 2018 revenue ran up to EUR 118k, the same amount as in the previous years due to the agreements having been concluded.

Netting (interest, deductions, allocations)

On balance, allocations of EUR 1.384k were added to the distribution reserves after deduction of EUR 6k of negative interest. There will be no allocations to the foundations.

c. Cable retransmission rights

For members of professional groups I and II Bild-Kunst administers the cable retransmission rights acc. § 20b UrhG, for members of professional group III the corresponding remuneration claim acc. § 20b par. 2 UrhG. Retransmission is the simultaneous, unmodified and complete re-broadcasting of a television programme.

Mandate

Mandate professional groups I and II: § 1 no. 1 b)

Mandate professional group III: § 1 f)

Collection sources

Cable retransmission to national private households:

- via GEMA as the cable retransmission collecting body;
- via ARGE Kable (cable working group).

National cable retransmission to institutions (hotels, hospitals etc.):

- via ZWF (“Central Organization for the reproduction of television broadcasts”).

Cable retransmission abroad:

- via the sister societies.

Basis of distribution

Revenue is paid out to rightholders according to distribution lines of § 31 Cable retransmission fine arts, § 35 cable retransmission images and § 37 cable retransmission film.

2018 income

- Total income

In 2018 Bild-Kunst was able to collect a total of EUR 8,010k for cable retransmission, EUR 573k for fine arts and images and EUR 7,437 for film. Total revenue has decreased compared to the previous year by EUR 370k.

- National total income

Nationally a total of EUR 4,865k was collected, compared to EUR 5,177k in the previous year. The 2018 share for still image rights is EUR 432k and has thus decreased only slightly by EUR 35k. The 2018 share for film rights amounts to EUR 4,433k and is therefore decreased by EUR 277k compared to 2017.

- Income from retransmission to private households

From GEMA and ARGE Kabel we have received a total of EUR 3,712k, including a share of EUR 342k for still images and another of EUR 3,370k for film.

- Revenue from retransmission to institutions (ZWF)

Bild-Kunst received EUR 1,153k from ZWF, compared to EUR 1,168k in the previous year. The share for images is EUR 90k and the one for film EUR 1,063k.

- Foreign income

Bild-Kunst received a total foreign income of EUR 3,144k, a decrease of EUR 58k compared to the previous year. Revenue for image rights fell by EUR 49k to EUR 141k. Bild-Kunst received the major revenue share from neighbouring countries, particularly the Netherlands and Austria.

Revenue from abroad for film royalties have fallen by EUR 9k to a total of EUR 3,003k. However, the revenue is being transmitted infrequently. Bild-Kunst also receives the highest payments for film uses from neighbouring countries, for example from Switzerland (EUR 1,288k), Austria (EUR 721k) and France (EUR 320k). Differences in payments are due to different billing periods.

Netting (interest, deductions, allocations)

Cable retransmission remuneration was charged with a total negative interest of EUR 37k. Administration costs amounted to a total of EUR 364k, one share of EUR 58k for the image area, another of EUR 306k for the film area. No allocation to the foundation were executed. Allocations of EUR 511k were added to the distribution reserves for the image area and EUR 7,097k for the film area.

d. Private copying levy

Before the law was amended on January 1st, 2008, for historical reasons it differentiated between a “reprography levy” covering the copying of images and text and a levy covering the copying of music and film. Nowadays all claims fall within the scope of § 54 UrhG. Although still pure reprographic devices exist (cf. § no. II.1.d.1 above), there are no devices that

can copy only music and film. All devices not being reprographic devices can copy text, images, music and film.

Mandate

Mandate professional groups I and II: § 1 no. 1 f)

Mandate professional group III: § 1e)

Collection sources

Claims for copying text, images, music and film, for both devices and storage media, are administered by the Central Organization for Private Copying Rights (Zentralstelle für private Überspielungsrechte, ZPÜ).

In the financial year 2018 ZPÜ has concluded inclusive agreements for the products PC, mobile phones and tablets with the appliance industry. Further inclusive agreements for the products hard drives and consumer electronics have been concluded only in 2019 and therefore have no effect for the financial year 2018.

As well as national income via ZPÜ Bild-Kunst also receives revenue for foreign private copying levies through its sister societies.

Basis of distribution

Revenue from the private copying levy for fine arts and images is divided to the distribution lines § 28 and § 29 (copying royalties fine arts and images analogue sources) and distribution lines § 32 and § 33 (copying royalties fine arts and images digital sources). In the audio-visual area private copying remuneration revenue is being distributed to the rightholders acc. § 38 (private copying royalties film). There is no non-distributable income for the area fine arts / pictures, as far as for distributions related to uses for certain works of film cannot be allocated to any rightholder.

Basically, rightholders in the area of fine arts and images from sister societies can notify just like Bild-Kunst members with regard to copying sources administered by Bild-Kunst. Additionally, sister societies receive empirically determined flat-rate shares for copying sources that Bild-Kunst does not administer itself.

Foreign audio-visual rightholders register their works directly, usually through foreign sister societies.

Since 2015 Bild-Kunst has been receiving a separate income for advertising films. This income is forwarded for distribution to TWF with which a representation agreement exists. Distribution line § 39 advertising film applies.

2018 income

- Total income

In the previous year Bild-Kunst received considerable payments through ZPÜ, in total EUR 87,847k, included subsequent payments for the years since 2008 for mobile telephones and tablets, but also for PC for the second half of 2015. Special payments like that have not been received in 2018 – except minor subsequent payments for PC for the years 2008 to 2010. In the financial year 2018 Bild-Kunst received a total income of EUR 18,935k of which EUR 10,995k amounted to PC for years of usage 2008 to 2010 and 2017, to mobile phones EUR 5,747k for the year of usage 2017 and to tablets EUR 2,193k for the year of usage 2017. The total income decreased by EUR 69,300k compared to the previous year.

- National income

National revenue consists of the said income through ZPÜ. Revenue for areas fine arts and images totalled EUR 10,979k, comprising EUR 6,013k of PC revenue, EUR 3,552k of mobile phones revenue and EUR 1,414k of tablet revenue.

For the film area a total of EUR 7,956k was received, comprising EUR 4,982k for PC, EUR 2,195k for mobile phones and EUR 779k for tablets. For advertising film authors additional shares of EUR 471k have arisen.

- Foreign income

For the private copying levy we only received international revenue for the film area. In 2018 this was EUR 1,457k compared to EUR 1,845k in the previous year. We receive foreign remuneration irregularly and for different years. Notable are payments from Italy (EUR 761k), Switzerland (EUR 226k) and Austria (EUR 188k). Overall revenue can be divided into payments for authors of EUR 1,440k and those for producers of EUR 17k.

Netting (interest, deductions, allocations)

For the area of fine arts and images administrative costs of EUR 1,136k must be attributed as well as negative interest of EUR 155k. No allocation to the foundations were executed. Therefore, allocations of EUR 9,688k could be added to the distribution reserves.

The negative interest for the film area amount to EUR 65k, administrative costs to EUR 327k. Neither was here allocated any money to the foundations. Thus, distribution reserves were increased by EUR 7,564k.

3. Income from film royalties

In this passage revenue is being explained that solely benefit film and hence members of professional group III, namely covering video store royalty (a.), income from foreign primary broadcasting rights (b.) and income from § 137I UrhG (c.).

a. Video rental

§ 27 (1) UrhG provides a claim to remuneration for the rental of video recordings.

Mandate

Mandate professional group III: § 1c)

Collection sources

Collection responsibility has been assigned to ZVV (Zentrale Videovermietung) which is managed by GEMA.

Basis of distribution

Revenue is being divided proportionally whereby 99 percent of the distribution area are being allocated to § 38 private copying royalties (film). Of the other 1 %, 30 % is allocated to the cable retransmission (fine arts) distribution acc. § 31 and 70 % to cable retransmission (image) distribution acc. § 35 cable retransmission image.

2018 income

In the financial year 2018 Bild-Kunst received a total income of EUR 58k, a slight increase compared to the previous year.

Netting (interest, deductions, allocations)

Administrative costs amount to EUR 2k and additionally a small charge of negative interest occurred, but no allocations to the foundations were executed. Allocations of EUR 56k were added to the distribution reserves.

b. Foreign primary broadcasting rights

Film authors of professional group III generally assign their primary rights to the film producers, so that Bild-Kunst usually only administers statutory remuneration claims. By contrast, abroad – and particularly in Italy – important primary rights are managed by collecting societies. In cases of film works of Bild-Kunst members being used, the respective royalties are forwarded to the rightowners via Bild-Kunst.

Mandate

Mandate professional group III: § 1n)

Collection sources

Bild-Kunst received foreign income through its sister societies, in the financial year 2018 mainly through the Italian SIAE.

Basis of distribution

Since all film authors' names of used film works are known, distribution is carried out directly. Hence, usually there is no non-distributable income. On occasion Bild-Kunst has to re-research the rightowners. § 36 film (individual) distribution line applies.

2018 income

In the financial year we received a total of EUR 912k through foreign sister societies, EUR 38k less compared to the previous year. The fluctuations are based on different billing cycles and different usage periods being combined by sister societies.

From Italy (SIAE) Bild-Kunst received EUR 833k, compared to EUR 910k in the previous year. From France (SCAM) Bild-Kunst received in 2017 EUR 6k, but EUR 63k in 2018. The rest is put together from smaller amounts from SGAE (Spain), SPA (Portugal), DirectorsUK (Great Britain), DAC (Argentine) and Suissimage (Switzerland).

Netting (interest, deductions, allocations)

Negative interest of EUR 2k and administrative costs of EUR 39k need to be attributed. A total of EUR 872k was allocated to the distribution reserves. No allocations to the social or cultural benefit foundations were executed.

c. § 137I UrhG

Film authors were not able to transfer any primary rights for not yet known types of exploitation to producers for works created between 1966 and 2008. In 2008 the law was amended to allow a statutory right of post-acquisition, in return granting a claim to remuneration for rightowners being administered by Bild-Kunst.

Mandate

Mandate professional group III: § 1a)

Collection sources

Bild-Kunst along with VG Wort has concluded an agreement with ZDF and some regional ARD broadcasters on the exploitation of footage in current productions. In 2016 additionally an agreement on online uses of complete works has been concluded with ZDF.

Basis of distribution

As the broadcasters pay for each single exploitation, distribution is carried out directly. Hence, usually there is no non-distributable income. § 36 film (individual) distribution line applies.

2018 income

Since 2014 Bild-Kunst has been receiving income through VG Wort, although at a very low level. In 2017 there were EUR 3k and in the financial year 2018 there is a total of EUR 7k. The income has been paid through VG Wort for ZDF and WDR exploitations.

Netting (interest, deductions, allocations)

Deductions for administrative costs and negative interest amount to a total of EUR 0.3k. A total of EUR 7k was allocated to the distribution reserves.

4. Other non-copyright-related income

Bild-Kunst manages the Central Organisation for the Reproduction of Television Broadcasts (Zentralstelle für die Wiedergabe von Fernsehsendungen, ZWF) and receives a fee for the management of revenue collection and distribution to the participating collecting societies. In 2018 Bild-Kunst received EUR 188k compared to EUR 191k in the previous year.

The same applies to the management of revenue acc. §§ 60a and 60c UrhG (previously § 52a UrhG). The management fee is linked to revenue. On this basis in 2017 an income of EUR

21k was realized, whereas in the financial year 2018 EUR 15k was obtained, the reason being that in the previous year two payment periods were accounted for.

Bild-Kunst received re-imbursments from Stiftung Sozialwerk and Stiftung Kulturwerk for shared offices and the shared use of equipment as well as for the internal settlement of mutual services.

Bild-Kunst received from Stiftung Sozialwerk EUR 71k, compared to EUR 105k in 2017, and from Stiftung Kulturwerk EUR 107k, compared to EUR 98k in the previous year.

Due to the extremely unfavourable money market situation and the obligation to hold revenue available and absolutely safe, it is no longer possible to achieve positive interest rates. Net interest income in 2018 including compounding of pension reserves amounted to EUR -459k. Unfortunately, for the future no change of the money market situation can be expected. Because of considerably lower distribution reserves the future interest income will not reach this negative extent.

Bild-Kunst does not receive any other non-copyright related income in the broader sense.

III. Deductions and administrative costs

Administrative costs in the financial year totalled EUR 4,721k, an increase of EUR 451k compared to the previous year. The average administrative cost ratio increased, especially related to the considerable decreased income, from 3.31 % in 2017 to 8.38 % in 2018.

1. Cost breakdown

Expenses for Statutes-related bargains increased in 2018 by EUR 21k to a total EUR 381k.

Because of development costs for new IT and privacy practices expenses for IT and related services have increased from EUR 436k in 2017 to EUR 715k in 2018.

The costs of administration, especially leases, ancillary costs and office operations, also increased by EUR 79k to a total EUR 493k and personnel expenses rose from EUR 3,288k in 2017 to EUR 3,555k in 2018.

In the financial year 2018 the total costs inclusive taxes amount to EUR 5,928k, being reduced by other non-copyright-related charges (see II.4.) of totally EUR 637k. In the financial year 2018 for the first time § 19 [4] of the distribution plan applied, defining non-distributable income after the fifth year to be used to lower administrative costs. As a result, EUR 570k were spent to reduce administrative costs. Thus, adjusted administrative costs total to EUR 4,721k which is a moderate increase compared to the previous year of EUR 451k.

2. Use of non-copyright-related income

There is no other non-copyright-related income than set out in paragraphs II.4. and III.1.

Income for the performance of administrative services related to collection and distribution for/to participating collecting societies are netted against the costs incurred.

IV. Stiftung Kulturwerk

The board of the foundation consists of the same people as the honorary board members of Bild-Kunst who in 2018 were Frauke Ancker, Werner Schaub and Jobst Christian Oetzmann.

At the start of 2018 the foundation had capital of EUR 8,216k. Allocations from Bild-Kunst distributions amounted to EUR 1,084k to increase the foundation capital, EUR 555.6k in favour of professional group II and EUR 528.6k in favour of professional group III. Therefore, at the end of 2018 the foundation capital shows a value of EUR 9,301k.

In 2018 Stiftung Kulturwerk was able to grant funding of overall EUR 1,108k, a decrease of EUR 128k compared to the previous year.

EUR 483k of this went to 12 projects of professional group I, EUR 380k to 53 projects of professional group II and EUR 246k to 18 projects of professional group III. As a whole, 83 projects were funded, compared to 80 projects in the previous year.

Expenses for business activities decreased compared to the previous year by EUR 11k to EUR 168k. This comprised EUR 32k for statutes-related expenses, EUR 7k for third-party services and EUR 129k for office operations.

The expenses were distributed on professional group I with EUR 42k, on professional group II with EUR 90k and on professional group III with EUR 36k.

Allocations to statutes-related reserves, the grant funds, taken in by Bild-Kunst have increased from EUR 198k in 2017 to EUR 1,139k for 2018, its background being a system changeover based on VGG and the new distribution plan, according to which allocations from 2017 revenue will only be executed connected with its distribution during 2018. Valid percentages will be applied.

V. Stiftung Sozialwerk

As with Stiftung Kulturwerk, the board of Stiftung Sozialwerk consists of the same people as the honorary board members of Bild-Kunst who in 2018 were Frauke Ancker, Werner Schaub and Jobst Christian Oetzmann.

At the start of 2018 the foundation had capital of EUR 13,765k. Allocations from Bild-Kunst distributions amounted to EUR 936k to increase the foundation capital, EUR 255.6k in favour of professional group II and EUR 680k in favour of professional group III. Therefore, at the end of 2018 the foundation capital shows a value of EUR 14,700k.

In 2018 a total of EUR 898k was granted as payments to needy persons, compared to EUR 954k in the previous year.

In professional group I 7 one-off supports of totally EUR 12k and 72 recurring support payments of totally EUR 175k were granted.

In professional group II 14 one-off supports of totally EUR 26k and 53 recurring support payments of totally EUR 151k were granted.

In professional group III 7 beneficiaries received one-off supports of totally EUR 14k and 13 beneficiaries were granted recurring support payments of a total volume of EUR 40k.

Overall, 1,745 grants were donated in the Christmas cheque campaign – any member up from the age of 65 being demonstrably needy can apply -; compared to the previous year with 1,694 recipients. The 2018 payments reached 741 members of professional group I, 749 members of professional group II and 255 members of professional group III. In total EUR 480k have been spent for this.

In the financial year EUR 132k was spent for administrative services, EUR 25k less than in the previous year. This comprises statutes-related expenses of EUR 18k, for third-party services EUR 19k and for office operations EUR 95k.

Allocation by Bild-Kunst has increased from EUR 107k in 2017 to totally EUR 633k for 2018, its background being, as well as with Stiftung Kulturwerk, a system changeover based on VGG and the new distribution plan, according to which allocations from 2017 revenue will only be executed connected with its distribution during 2018. Valid percentages will be applied.