



Society of Authors, Composers  
and Music Publishers

# 2009 Annual Report

sacem 



**Sacem...**

**... a service organization**

Sacem is a private non-profit Collective Rights Management Organization (CMO) run by music lyricists, composers and publishers. It protects, represents and serves their interests.

**... an essential mission**

Sacem collects royalties in France and redistributes them to French and foreign creators throughout the world. This fundamental mission sustains creative activity and the music industry.

**... a wide range of activities**

From live entertainment to individual consumption, Sacem ensures that artists' rights and their works are respected, whatever the medium of distribution. As an active player in the music industry, Sacem monitors developments and the musical environment, in France and abroad.

**132,000**  
members, including  
15,500 foreign members

**€762.3m** collected  
(distributed in 2009  
& 2010)

**€748.1m** allocated for redistri-  
bution (collected in 2008  
& 2009) of which **€650.5m**  
distributed to members  
or allocated to cultural  
initiatives

**40 million** works  
in the world repertoire  
represented

**617,000** new works  
(French and foreign)  
registered in the repertoire

**€14.5m** dedicated  
to supporting live  
entertainment, creation  
and training in all musical  
genres

**1,415** staff members  
at the head office in  
Neuilly-sur-Seine, and  
in **90** locations throughout  
France

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— Our professional and institutional counterparts often try to impress upon us that “the music industry is not well, but Sacem rights collection levels remain stable!”. Often, it’s a way of saying to us that authors, composers and music publishers should have the grace not to complain about the situation.

At first sight, the figures seem to confirm their position, since this year collection of authors’ rights increased by 0.85% to €762.3m. This performance was truly remarkable in the prevailing economic environment. It should be noted that this achievement was attributable to the day-to-day commitment of all Sacem teams and the recognized expertise and efficiency of our organization in collecting rights from all media and all venues. This performance is buttressed by the modernization of our IT tools, which are constantly improving productivity and our ongoing cost-control policies, which resulted in a 2.94% decrease in operating expenses in 2009.

But how can we possibly accept that the massive increase in musical consumption due to the advent of digital technology should transit mainly via free and illicit channels, without there being any equivalent compensation in the collection of authors’ rights? Since Napster came on the scene 10 years ago, enabling peer-to-peer exchange of protected content, a veritable “parallel

music industry” has emerged, which does not remunerate creators in any way and which is a hindrance to the development of a legal market on the Internet.

Seen in this light, the stability of our collection is an “optical illusion” in that it hides the difficulties for some of our members, who have seen their revenues decline significantly while their music is pillaged or used as a promotional product to develop networks or sell more IT equipment.

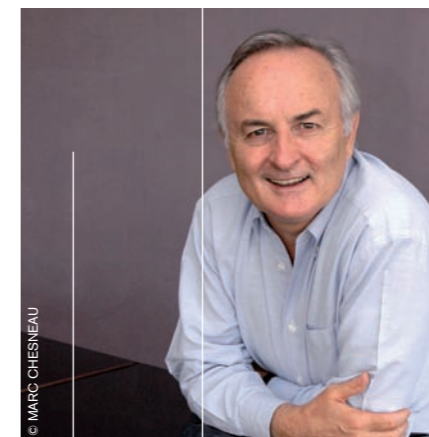
To make matters worse, these same categories of the repertoire suffer from less exposure in the media, thus dramatically reducing their ability to reach a wider audience. As the epitome of leisure in our society, musical creation has been paradoxically “ghettoized” on television and relegated to late-night thematic channels with very small audiences.

The community of creators is the big loser in the sharing of added value in the digital era. This is why Sacem continues to be a militant organization, closely monitoring developments. In 2009, we were able to achieve some progress, with the passing of the French “Hadopi 2” law in September, which we hope will provide a foundation for regulating the Internet. At the same time, there were some disappointments, in particular the results of the “Creation and Internet” mission, whose aim was to “propose concrete measures to improve the offer of legal cultural content on the Internet and proper remuneration for all those who participate in the creation of these works.” The introduction of a contribution from ISPs to partially compensate the damage caused by illegal exchange was unfortunately not accepted. Furthermore, no specific measure for supporting authors, composers and publishers was recommended.

We will therefore have plenty of issues to deal with in 2010: music on television, ISP contributions to musical creation, the opposition of electronics manufacturers to the private copying remuneration in France and Europe, the protection of the collective management system, etc. You can count on us to mobilize all our energy and to continue our determined action to defend the rights of creators and the creative community.

**Bernard Miyet /**  
CEO & CHAIRMAN OF THE SACEM  
MANAGEMENT BOARD

**PERFORMANCE  
AND  
COMMITMENT**



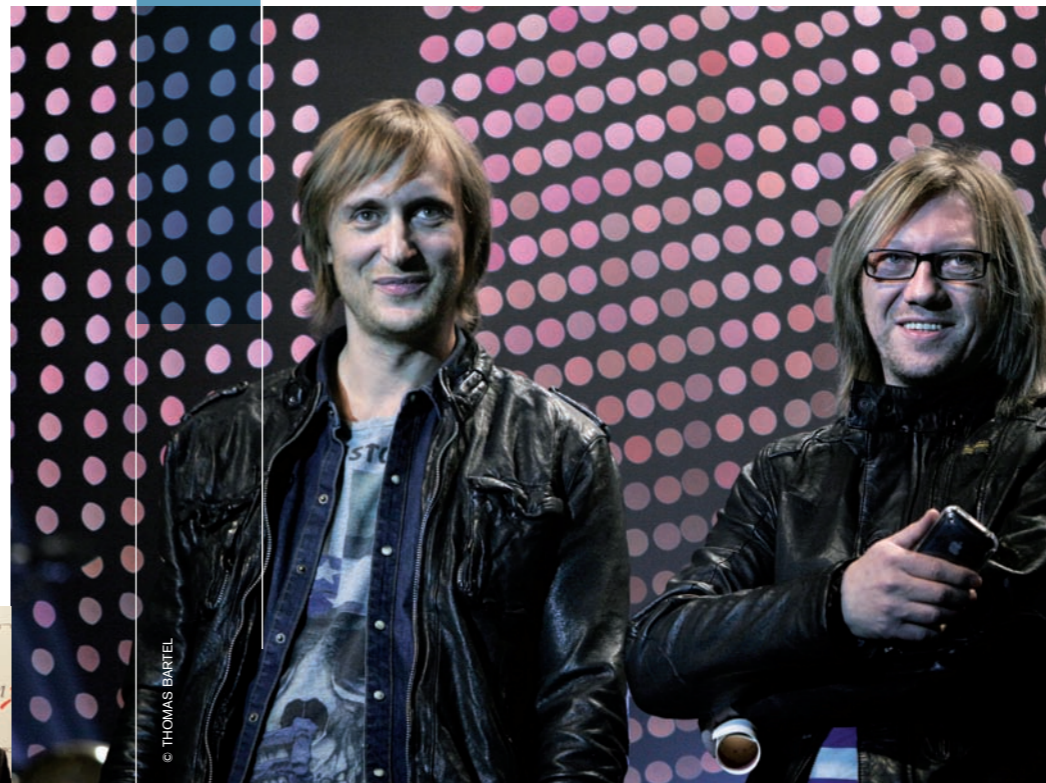


# 2009 highlights —

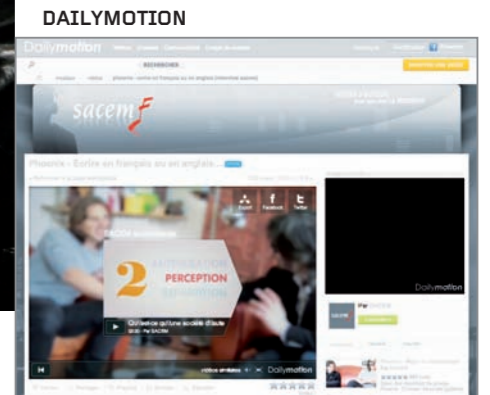


MOUNIRA MITCHALA,  
CARTE BLANCHE SACEM

ROTANA AUDIOVISUAL'S  
SIGNATURE



2009 GRANDS PRIX SACEM AWARDS  
FOR SACEM REPERTOIRE ABROAD:  
DAVID GUETTA / FRÉDÉRIC RIESTERER



JANUARY

**Signature of an agreement with Dailymotion.**

The video-sharing platform agrees to pay Sacem royalties for the broadcast of works of its repertoire: musical works; music documentaries and promotional videos; French dubbing and sub-titles; humor; poems and comedy sketches.

Sacem granted approval by the Lebanese Ministry of Culture, thus allowing it to claim its members' rights in this country.

MARCH

**Mobilization for the adoption of the "Creation and Internet" law.**

- Launch and follow-up of the "Appeal by 10,000 artists, creators and professionals of the music industry" published in Le Monde. 97% of the signatures registered via sacem.fr
- March 30 at the Théâtre de l'Odéon: Press conference, with several participating cultural organizations, bringing together 30 major creative artists in film and music to express their support.

**Signature between French CMOs (SACEM, SCAM, SACD and SDRM) and Radio France** for its podcast offer, which retransmits many of its member radio stations' broadcasts: France Inter, France Info, France Bleu (41 radio stations), France Culture, France Musique, FIP and Mouv'.

MAY

Adoption by the French Parliament of a law to facilitate **"the dissemination and creation of creative works on the Internet"**, known as Hadopi 1 and calling for gradual and increasing measures of reprisal.

JUNE

**France Musique – Sacem Award for a film score attributed to Léo Sujatovich, composer of the original music for the film Telepolis directed by Esteban Sapir.**

**Provisions of the Hadopi 1 law enabling the newly created High Authority** to suspend infringers' Internet access, declared unconstitutional by France's Constitutional Council.

JULY

**Creation of the Tous pour la musique (TPLM, United for Music) trade body**, born of the merger between Musiques France Plus and ProMusic France. The new body offers educational activities and defends the interests of musical professionals in all fields.

SEPTEMBER

**Establishment of the Zelnik "Création and Internet" Mission** to improve the offer of legal content on the Internet and the remuneration of creators and artists (headed by Patrick Zelnik, Jacques Toubon and Guillaume Cerutti). Sacem and Adami support the idea of a financial contribution from Internet service providers (ISPs) to finance the music industry.

**Presentation of a new fund to foster the creation of original music for television** (series and documentaries) at the Festival de la Fiction TV in La Rochelle.

OCTOBER

**Final adoption of the Hadopi 2 Law, taking into account demands from France's Constitutional Council.**

**Rotana Audiovisual, the leading music publisher in the Arab world**, signed an agreement entrusting Sacem with the management of its repertoire, over 7.000 works by 120 artists (except Turkey).

**Launch of the Sacem channel on Dailymotion.**

**Round table organized by Neelie Kroes, the then European Competition Commissioner**, leading to several commitments, including the examination of the potential implementation of a new pan-European platform to deliver licenses (authorizations) in a cooperation program between the majority of European CMOs, bringing together the largest possible repertoire. Bernard Miyet was an active participant in these discussions.

DECEMBER

**The Grands Prix Sacem Awards** at the Théâtre du Rond-Point des Champs-Élysées in Paris.





IZIA, FRANCOFOLIES 2009

# DEFENDING

## FAIR REMUNERATION OF AUTHORS: THE HEART OF THE MATTER

— 2009 was marked by the adoption, after a complex procedure, of the French Hadopi Laws 1 and 2 introducing a basic legislative framework for combating online piracy. However, the need to guarantee fair remuneration for creators has still not been addressed fully. Authors, composers and publishers are seeing their revenues increasingly threatened by the economic crisis, by certain decisions taken in Brussels and by the lack of compensation from Internet service providers (ISPs) for loss of earnings due to illegal downloading. Sacem continues its fight to defend authors' rights on all these fronts.

## Sept. 15th

### Adoption of the Hadopi 2 by the lower house of the French Parliament

was only on September 15, 2009 that the bill was finally passed by the French National Assembly, before being approved by the Constitutional Council and published in the Official Journal at the end of October 2009.

In taking into account the observations of the Constitutional Council, Hadopi 2 introduces the offence of counterfeiting as applied to illegal downloading, as well as provisions for sanctioning the Internet user for neglecting to ensure that his or her Internet access is secure. The sanction – a fine, plus possibly cutting off Internet access – must be pronounced by a judge. To this end, Hadopi's Commission for the Protection of Rights refers the case to the Public Prosecutor's Office.

In the spring of 2010, the new government agency was ready to send out its first warnings, pending the publishing of the government's final implementation orders and the decision of CNIL (France's data protection agency) on whether or not to authorize the automated processing of data deposited by rights holders.

Sacem regrets the many delays in the implementation of this legislative package designed to protect the interests of creators on the Internet, particularly as it does not always guarantee them fair remuneration. The fight to curb illegal downloading is, after all, one of several battles to be waged.

## FRANCE

### HADOPI 2 READY TO ROLL

— After several changes of fortune through the year, the Hadopi 1 and Hadopi 2 laws were finally passed by the French Parliament in 2009, introducing a basic set of regulations to combat online piracy.

The new legislation introduces in a graduated response to illegal downloading. After two warnings, with the second issued in a registered letter, measures can include the suspension of the concerned subscriber's Internet access for a set period. This decision must be taken by a judge, with the case referred by the newly created High Authority.

On June 10, 2009, after registering 11 complaints of unconstitutionality in relation to the Hadopi 1 law, the French Constitutional Council struck off measures in the law granting the High Authority the power to cut off a citizen's access to the Internet without the intervention of a judge.

A second law supplementing the measures in Hadopi 1 was submitted to the Senate by France's then Minister of Justice, Michèle Alliot-Marie. Hadopi 2 was approved in its first reading at the beginning of July 2009, but it

### ZELNIK MISSION: FORGOTTEN AUTHORS

— This need to guarantee fair remuneration for creators has unfortunately not been taken into account by the "Creation and Internet" mission. Sacem participated in the mission's consultation process at the end of 2009. Its aim was clearly laid out by a task force known as the Zelnik Mission, which reflected the brief from the Ministry of Culture and Communication to "improve the legal offering of cultural content on the Internet and the remuneration for artists and all those who contribute to creating works."

It is to be noted that none of the nine proposals put forward by the Zelnik Mission at the beginning of 2010 pertaining specifically to music (including the "Online Music Card" for Internet users aged between 15 and 24, and extended tax credits for record producers) directly benefit music authors, composers or publishers.

Sacem can only deplore the inadequacy of such measures to offer rapid and significant support to a changing market, suffering from a violent decline in royalty revenues. In particular, no measures of any sort have been proposed to offset the losses suffered by creators because of illegal exchanges.

The proposal supported by Sacem, calling for a compensatory contribution to be levied on the revenues of ISPs, has not been retained. Over the past 10 years, these operators have enriched themselves by simply acting as go-betweens for the exchange, mainly unauthorized, of protected works.

Such compensation is urgently needed. It is the only way to sustainably support the music industry as a whole. It therefore constitutes a priority for Sacem in its fight to defend authors' rights.

### SONGS NO LONGER LOVED BY TELEVISION

— This concern is more relevant than ever, given not only the continuing crisis in the recorded music business, but also the constantly declining status of music in traditional electronic media, which no longer make an effort to sustain musical creation.

In a report published in the spring of 2009 on the status of music in free-to-air broadcasting, the CSA (the electronic media regulator in France) noted what it considered to be a positive development in the increase of music programs on television, with 18,530 hours of unscrambled music programs broadcast in 2007 compared with 3,884 hours in 2005, an increase of 377% in two years.

But this increase is essentially due to the development of digital terrestrial television (DTTV), which hardly benefits authors in terms of exposure and remuneration.

Although the figures for music on television have remained stable over the past 10 years (+1% across all terrestrial channels), the broadcast of music performances with the visual presence of the artist (such as video promos, concerts and live shows) on terrestrial channels has fallen by 30% over the same period. This applies in particular to the repertoire of French songs. In prime-time slots, broadcasts of these songs actually dropped by 50%!

The economic crisis has also shrunk the advertising revenues of major terrestrial channels. This, of course, has had a domino effect on sums collected by Sacem. In terms of distribution of royalties, the decrease will impact rights holders in early 2010.

The situation would have been even more worrying had the decision to limit advertising on public television not been taken. Consequently, the direct impact of the crisis has not been too great as yet. Nevertheless, Sacem is determined to ensure that remuneration for authors is not penalized as the sources of public television revenue are increasingly diversified, depending mainly on the license fee and contributions from ISPs. ...



## INTERNATIONAL

## EUROPEAN ISSUES AT A STANDSTILL

— As regards the private copying remuneration at the European level, Sacem regrets that industry decided to put an end, at the beginning of 2010, to discussions begun with rights-holders under the auspices of the European Commission.

The initial positive results achieved during these discussions were not endorsed by the industry, supposedly because agreements had not been found on other points. In order to put an end to this non-constructive “all or nothing” policy, it would be best to resume discussions on unresolved points.

On this specific issue and on other strategic European concerns at a standstill, Sacem hopes

that the new European Commission, chaired by Manuel Barroso and sworn in on February 9, 2010 for five years, will focus its attention on the concerns of Collective Rights Management Organizations (CMOs).

Hope rests partly on the fact that Michel Barnier, the French Commissioner for the Internal Market and Services, has stated his support for stronger defense of authors' rights in Europe and expressed his determination to act quickly to create the conditions for the development of an open and viable market for all creative industries.

## A EUROPEAN RIGHTS GRIDLOCK

— In challenging the territorial limitations clause in the reciprocal representation agreements agreed to by CISAC-member CMOs in Europe for the management of online usage and satellite and cable broadcasting, the Competition

Directorate General of the European Commission seriously destabilized the economics of European CMOs and made the situation more complex for users by contributing to the increased fragmentation of repertoires, already encouraged by the Recommendation adopted by the European Commission in October 2005.

Considering that the choice taken in Brussels makes it nearly impossible to build a simple, rational and satisfactory model for rights management for both rights-holders and users, almost all European CMOs decided to appeal the decision at the Court of First Instance in Luxembourg.

Nevertheless, to comply with the demands of the European Commission, Sacem managed to review, on a bilateral basis and within deadline, the territorial limitations inscribed in these agreements and concluded agreements with all but one of the CMOs.

| ROYALTIES PAID BY SACEM TO FOREIGN CMOs | 2008 in €         | 2009 in €         | %           |
|---|-------------------|-------------------|-------------|
| Ascap (United States)                   | 18,399,000        | 20,003,000        | 8.72        |
| Bmi (United States)                     | 17,186,000        | 18,692,000        | 8.76        |
| Prs (United Kingdom)                    | 14,583,000        | 18,215,000        | 24.91       |
| Gema (Germany)                          | 6,879,000         | 7,004,000         | 1.82        |
| Siae (Italy)                            | 4,458,000         | 4,637,000         | 4.02        |
| Socan (Canada)                          | 3,251,000         | 3,848,000         | 18.36       |
| Sabam (Belgium)                         | 3,140,000         | 2,932,000         | - 6.62      |
| Sgae (Spain)                            | 2,154,000         | 2,331,000         | 8.22        |
| Suisa (Switzerland)                     | 3,186,000         | 2,229,000         | - 30.04     |
| STIM (Sweden)                           | 1,024,000         | 1,226,000         | 19.73       |
| Sesac (United States)                   | 1,118,000         | 1,195,000         | 6.89        |
| Sodrac (Canada)                         | 1,046,000         | 1,046,000         | 0.00        |
| Buma/Stemra (Netherlands)               | 991,000           | 1,125,000         | 13.52       |
| Other CMOs                              | 6,185,000         | 7,179,000         | 16.07       |
| <b>TOTAL</b>                            | <b>83,600,000</b> | <b>91,662,000</b> | <b>9.64</b> |

## POLYNESIA: SPACEM SANCTIONED FOR ITS MANAGEMENT

Having been patient for several years, Sacem and Sdrm finally felt constrained to terminate, on December 18, 2009, the reciprocal representation agreement with Spacem, the Polynesian CMO, which had been in force since 1979 and which will end on December 31, 2010.

This initiative was based on the non-validation of Spacem accounts since 2001, with no royalties having been returned to Sacem for the use of its repertoire and the international repertoire in Polynesia during that period. Serious anomalies in Spacem's management were confirmed in several audits, leading to the CMO being subjected to temporary judicial management in September 2005.

Sacem and Sdrm felt that the termination of the contract was necessary to protect all creators, but both organizations are ready to participate in the renewal of a reliable and efficient collective rights management system in Polynesia.



## A PAN-EUROPEAN ONE-STOP-SHOP SYSTEM

— A round table to assess the resources needed to foster the emergence of a true European online music market was organized by former Competition Commissioner Neelie Kroes, now in charge of Digital Strategy. It focused on the expectations of rights holders, consumers and online music services, and generated some hope that the fragmentation of repertoires could be overcome.

In particular, the round table defined a certain number of principles that could ultimately improve the management of rights of all repertoires at a pan-European level. Participants included Amazon, BEUC, iTunes, Nokia, PRS for Music, STIM, Universal Music and Sacem. They agreed to develop one or several joint platforms, bringing together the repertoires of various CMOs and publishers with the capacity to deliver pan-European licenses to users.

In this area, Sacem seized the initiative through an alliance with SIAE (Italy) and

SGAE (Spain), resulting in the deployment of the Armonia portal in the summer of 2009. This portal, in its first stage, provides a list of the works in the repertoires of the three CMOs, as well as a list of the 31 applicable territories for operational purposes.

Within this framework, CISAC launched a working group, under the supervision and control of the Board of Directors, to examine the possibility of setting up a pan-European portal bringing together, on a voluntary basis, the widest possible repertoire to create a single entry point for online and mobile service providers seeking a multi-territorial license. This work, begun in 2009, will continue throughout 2010.

## CONSENT FROM LEBANON, GLOBAL AGREEMENT WITH ROTANA, ELECTION TO BIEM

— Sacem made progress in several areas internationally in 2009, including the approval of the Lebanese Culture Ministry, in January, following a long administrative procedure begun in November 2007 to manage musical rights. This process was made necessary by a change in rights management conditions in Lebanon. Having provided Lebanese authorities with all the information required on its statutes, its collection and distribution rules and its representation in Lebanon, Sacem can continue to defend its members' rights and ensure the management of the global repertoire in this country.

A second agreement was also a great source of satisfaction. On October 6, 2009, Bernard Miyet, Chairman of the Management Board of Sacem, and Salem Al Hindi, Chairman of Rotana Audiovisual, the leading music publisher in the Arab world, signed an agreement entrusting Sacem with the management of its repertoire, with over 7,000 works, for the whole world, except Turkey. This demonstrates, once again, Sacem's reputation as an expert organization for the management of rights internationally.

Sacem is also proud of the election of Thierry Desurmont, Vice-President of its Management Board and Managing Director of Sdrm, as Chairman of the Management Committee of BIEM (International organization representing mechanical rights societies) on June 12, 2009. The member CMOs of BIEM, present in most countries, issue authorizations for the reproduction of musical, literary and artistic works to producers of CDs and DVDs and for online musical services.

## SACEM IS VERY ACTIVE IN INTERNATIONAL ORGANIZATIONS:

## GESAC

(European Grouping of Societies of Authors and Composers)

→ Bernard Miyet (President)

## CISAC

(International Confederation of Authors and Composers Societies)

→ Bernard Miyet on the Board of Directors

→ Thierry Desurmont on the Legal Committee

→ Claude Gaillard on the CIS Supervisory Board

→ Louis Diringier

(Chair of the Cable Retransmission group of the Technical Committee for Distribution and Chair of the Binding Resolutions Group)

**CISAC Technical Committees, Communication Committee and Regional Committees, for instance:**

→ Claude Gaillard, Laurence Bony,

Louis Diringier on the Technical Committee for Distribution

→ Laurence Bony, Jean-Claude Chamoux on the Regional Committees

→ Catherine Boissière and Fabienne Herenberg on the Communication Commission

## BIEM

(International organization representing mechanical rights societies)

→ Jacques Demarny (President)

→ Thierry Desurmont (President of the Management Committee)

→ Catherine Kerr-Vignale (President of the Management Advisory Committee)

## FastTrack

(Development of applications for network interconnections and data exchange between CMOs)

→ Claude Gaillard

(President and Chairman of the Management Board)

→ Louis Diringier (Co-project leader of GDDN)

## DDEX

(Digital Data Exchange)

→ Michel Allain (Board Treasurer)

Oct. 6th  
Rotana Audiovisual joins Sacem as a publisher to manage the rights of its entire repertoire of 7,000 works for the whole world (excluding Turkey)



# CONTEXT

## STABLE RESULTS AND UNCERTAIN PROSPECTS

– In the particularly difficult environment created by the economic crisis, rights collected remained relatively stable, thereby demonstrating the performance and commitment of Sacem teams.

– The Internet has not yet become the source of growth needed to offset the loss of sales in physical recorded media, which declined for the seventh consecutive year. The business model in online services, where illegal competition remains a threat, is still fragile and not yet very profitable.

– While the recorded music market has been confronted with deep-seated structural change and the negative impact of rights for several years, the continued health of “traditional electronic media” and “live shows,” confirmed in 2009, is probably quite cyclical. It is thus difficult to see these revenue sources as sustainable sources of growth. Traditional media remain highly dependent on advertising revenues, subject to economic fluctuations and strong competition from the Internet. Revenues from the live music sector are by their very nature uncertain, and current policy changes could seriously affect the financial position of local authorities in France, which could in turn affect this sector, thereby adding to the overall uncertainty.

# 7

The number of consecutive years in which sales on physical recording media have declined

### LIVE SHOWS : SIGNIFICANT CONCENTRATION

|                    | Growth<br>2005 → 2009 | Growth<br>2008 → 2009 |
|--------------------|-----------------------|-----------------------|
| Overall live shows | + 35%                 | + 13%                 |
| Professional tours | + 65%                 | + 43%                 |

The sustained good health of live shows benefits above all major professional tours and “star acts,” with a significant increase in this trend recently:

- The 20 biggest tours generated 27% of all live show rights and 62% of rights for “professional tours”
- Overall, professional tours accounted for 40% of revenues generated by live shows, i.e. €30m.



SEXY SUSHI, OSOSPHERE 2009

© MARC CHESNEAU



# Collection —

## ILLUSORY STABILIZATION IN AN UNCERTAIN ENVIRONMENT

— Sacem's total rights collection in 2009 stabilized against a backdrop of continuing economic uncertainty, making it very hard to predict the future of its two most promising sectors, live shows and traditional electronic media. The fragmentation of repertoires linked to the new pan-European context, together with disproportionate costs for processing some royalty calculations, will not facilitate the transformation of the Internet into a real growth driver.

In fiscal 2009, Sacem registered a small increase (0.85%) in royalties collected to €762.3m (+€6.5m). This increase followed a slight drop of 0.4% in 2008, which itself followed a very small increase in 2007 (+0.2%). While Sacem's royalty collection appears stable, it has actually decreased by 7% since 2005 in constant euros.

Collection in France and Monaco increased by only 0.27% in 2009, to €684.6m (+€1.8m), while royalties from foreign CMOs using the Sacem catalog continued to grow (+6.35%, following a 3.1% increase in 2008), accounting for 10.19% of revenues, at €77.7m.

### TRADITIONAL ELECTRONIC MEDIA: PUBLIC TELEVISION MAKES AN UNEXPECTED COMEBACK

— With a total share of 35.52% of overall collection, traditional electronic media (radio and television) remained the main sources of revenue for Sacem throughout 2009, despite the downturn in the advertising market that severely impacted private TV networks, and despite the elimination of advertising after 8 p.m. on state-owned TV. Overall, royalty collection from television increased by 1.74% to €220.2m in 2009, while radio revenues dropped by 1.03% on 2008, to €50.57m.

In the television sector, private general-interest networks TF1 and M6 did not benefit from the expected transfer in advertising revenues after

the partial halt of advertising on state-owned channels operated by France Télévisions. 2009 was a difficult year for the two historically leading privately owned networks, which suffered from the crisis in advertising and the growing impact of digital terrestrial television (DTTV), illustrated by drops of 18.16% and 15.2% respectively in Sacem's royalty collection from them.

However, lower revenues from the main privately owned networks were offset by a sharp increase in revenues from high-speed Internet (DSL) television (+86.09% to €28.7m), due to significant advance payments received from Orange as part of an ongoing adjustment deal. This meant that the overall drop in contributions from all privately owned networks was only 0.79% for the entire fiscal period, to €161.6m.

Collection from public television enjoyed an increase of 9.43% in 2009, at €58.5m. This unexpected surge can be attributed mainly to the payment by the French government of a €415m subsidy to make up for the partial elimination of advertising on state-owned channels, as well as higher advertising revenues at France Télévisions, which were €110m more than forecast.

2009 was also marked by higher royalties collected from DTTV channels (+17.84%) – the only ones to increase their advertising revenues thanks to additional viewers – as well as from local TV channels (+13.29%).

In the radio sector, collection from privately owned radio stations edged down by 0.24% to €30.7m in 2009. Fiscal 2009 saw a marked drop in revenues from general-interest stations such as RTL (-8.74%) and Europe 1 (-9.7%), whose net advertising revenues significantly decreased in

the first 10 months of the year. This trend was offset by an "artificial" increase in the royalties collected from FM networks, essentially attributable to the comparison with the negative balances of 2008. Royalty collection from public radio stations fell by 2.20% in 2009, due to a delay in royalty collection from RFI between 2008 and 2009. Once this effect is factored in, it appears that revenues from public radio actually increased by 3%.

### GENERAL RIGHTS: LIVE ENTERTAINMENT ON THE RISE

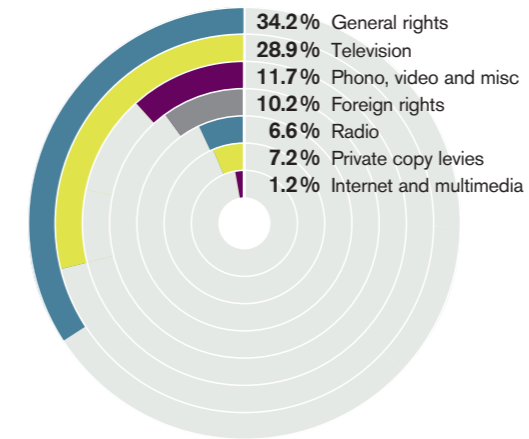
— The general rights collected by Sacem in France and Monaco in 2009 (34% of total resources) grew by 1.51% to €261m (if one includes Luxembourg), despite the financial and economic crisis, which dampened the increase in comparison with those of previous years. This positive result is largely due to a series of exceptional

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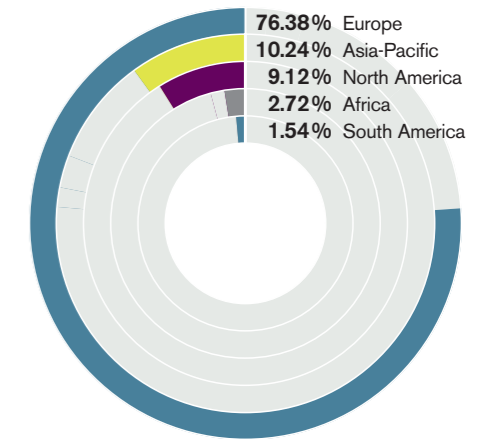


MADJO, FRANCOFOLIES 2009

### ORIGIN OF RIGHTS



### INTERNATIONAL RIGHTS REVENUES



concerts in 2009, with a 16.5% increase in contributions from this category to €71.3m, following a mediocre 2008 (-2.6%).

Nevertheless, the extremely high concentration in the live entertainment sector remains preoccupying. The upturn it has been enjoying in recent years has mainly affected large professional tours that generated an increase of 43.4% in royalty collection last year. Thus, the 20 largest tours generated 27% of the total rights collected for live entertainment in 2009. The 10 largest

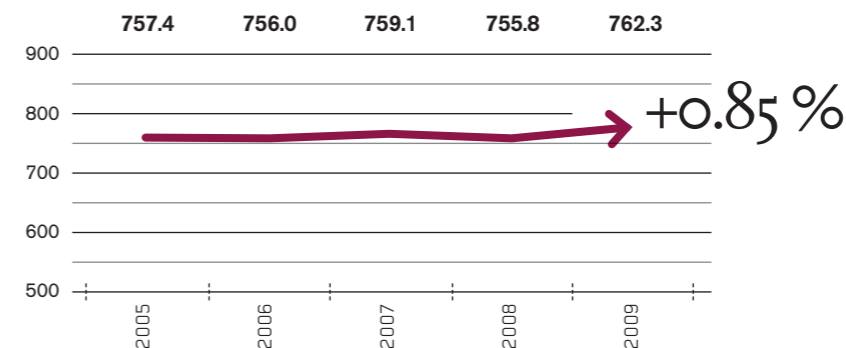
tours accounted for 50.7% of total royalty collection for professional tours, and the top two generated 24% of these royalties alone.

Symphonic concerts recorded new growth in 2009 (+4.9%), due in part to royalties carried forward from several major music festivals held in previous years. As in recent years, revenues from concerts for non-profit associations continued to grow in 2009, although more moderately (+1.7%). However, the reform of the local business tax in France has generated serious concern regarding the sustainability of financial support from local authorities for festivals, which posted satisfactory results last year despite some striking regional differences.

Collection from discotheques, confronted with difficulties specific to their sector, dropped by 18% last year, yet 2009 was a year of regularization thanks to the signature of an agreement with all trade bodies. This agreement provides for the implementation of a new royalty collection system and should help settle several pending disputes and allow for collection to resume.

Royalty collection for music played in public venues continued to rise in 2009 (+1.8% to €99.5m) despite the extremely negative economic environment. This performance can be attributed chiefly to Sacem's regional teams, who succeeded in expanding the customer base by over 6,800 music users (+2.2%). Collection ...

### RIGHTS COLLECTIONS (in millions of euros)



The amount of rights collected by Sacem increased slightly, by 0.85% in fiscal 2009, reaching €762.3m (+€6.5m). This rise follows on a drop of 0.4% in rights collected in 2008, following a very slight rise in 2007 (+0.2%).



... from the café, hotel and restaurant sector alone grew by 2.3%, thanks in particular to initial progress made to settle a dispute with the Pierre & Vacances holiday chain.

#### RECORDED MEDIA: VIDEO MORE RESILIENT THAN CDS

— The drop in the wholesale and retail markets continued for the seventh year in a row, bottoming out slightly in 2009. However, phono and video rights collection dropped once again (-11.75%). In fiscal 2009, they accounted for only slightly more than 11% of Sacem's overall revenues (on sales from H2 2008 and H1 2009).

The music-recording sector experienced the most drastic decline in royalties (-22.7%). This figure does not correspond to the downturn in the physical market as measured by the SNEP, French branch of IFPI, (-3.4%), since considerable adjustments were received in 2008 that did not appear again in the 2009 income statement.

The recorded video sector weathered the crisis better, with a 4.6% rise in royalties to €36.7m, partially thanks to the various adjustments received in 2009 on DVDs sold through newsstands.

The amount of royalties collected from the Internet and the multimedia sector, although growing by 8.18% in the last year, still only accounted for 1.22% of Sacem's overall collection in 2009 and has not yet made up for the drop in recorded music and video rights (-40% since 2003).

In the Internet sector, processing costs are disproportionate to the amount of royalties generated, due to a fragmentation of the repertoires in the new pan-European context that creates new difficulties for rights holders and places operators in a relatively shaky legal position.

Revenues from mobile phones collapsed (-52.4%), and a satisfactory agreement must still be reached in the video-on-demand (VOD) sector, since operators are currently hiding behind the defensive argument that the sector is unprofitable.

#### PRIVATE COPIES: STRONG GROWTH OF RECORDING DEVICES

— Sacem collected €55m in 2009 (via SDRM) for private phono and video copies, i.e. growth of 24.7%, contrasting with 2008's 4.2% drop.

Revenues from Sorecop (private phono copies) increased by 13.23% to nearly €40m, thanks to royalty collection from mobile phones, multimedia players and external hard discs, whose sales enjoyed strong growth. Collection from Copie France (private video copies) increased by 7.5% to €15.2m.

#### ORIGIN OF AUTHORS' RIGHTS

|   | 2009<br>in €       | 2008<br>in €       | Change<br>as a % |
|---|--------------------|--------------------|------------------|
| <b>TELEVISION &amp; RADIO</b>                     | <b>270,789,000</b> | <b>267,549,000</b> | <b>1.2</b>       |
| → Television                                      | 220,215,000        | 216,450,000        | 1.7              |
| Public sector                                     | 58,550,000         | 53,502,000         | 9.4              |
| Private sector                                    | 161,665,000        | 162,948,000        | -0.8             |
| → Radio stations                                  | 50,574,000         | 51,099,000         | -1.0             |
| Public sector                                     | 19,871,000         | 20,321,000         | -2.2             |
| Private sector                                    | 30,703,000         | 30,778,000         | -0.2             |
| <b>CD, DVD, MULTIMEDIA, VIDEOS &amp; INTERNET</b> | <b>152,900,000</b> | <b>158,203,000</b> | <b>-3.4</b>      |
| → Audio and video rights                          | 88,558,000         | 100,274,000        | -11.7            |
| → Private copying remuneration                    | 55,041,000         | 49,331,000         | 11.6             |
| → Multimedia, downloading & Internet              | 9,301,000          | 8,598,000          | 8.2              |
| <b>SHOWS, DANCE &amp; MUSIC IN PUBLIC PLACES</b>  | <b>260,929,000</b> | <b>257,045,000</b> | <b>1.5</b>       |
| → Shows and dances                                | 135,303,000        | 132,386,000        | 2.2              |
| → Film theaters                                   | 16,052,000         | 16,417,000         | -2.2             |
| → Sound systems in public premises                | 99,474,000         | 97,703,000         | 1.8              |
| → Ambiance music in public premises               | 10,100,000         | 10,539,000         | -4.2             |
| <b>FOREIGN COUNTRIES</b>                          | <b>77,691,000</b>  | <b>73,053,000</b>  | <b>6.3</b>       |
| → Direct collection of rights                     | 1,015,000          | 969,000            | 4.7              |
| → Foreign CMOs                                    | 76,676,000         | 72,084,000         | 6.4              |
| <b>TOTAL</b>                                      | <b>762,309,000</b> | <b>755,850,000</b> | <b>0.9</b>       |

# Distribution —

## UNEQUALED PRECISION AND HIGHER DEGREES OF COMPLEXITY

— Several distribution categories posted improved performances in 2009, including recording rights due to significant backlog readjustments. The precision in identifying works is constantly improving, but the fragmentation of revenue distribution for works on the Internet and repertoires at the pan-European level have generated an added level of complexity, which is a true challenge to be dealt with.

Finally, the rise in general rights (+4.6%) was based mainly on an increase in background music (cafés, bars, retail outlets, hotels, restaurants), essentially linked to an increase in the number of clients. Royalties generated by live shows also rose, but were highly concentrated and vary greatly from one year to the next.

#### RECORDING RIGHTS: CONTINUED DETERIORATION

— The rise in distributed recording rights (+4.9% in 2009, after a drop of 9.07% in 2008) was based mainly on significant backlog adjustments by producers and should not be interpreted as an improvement. The trend in this area of distribution continues to deteriorate (-41.2% since 2003), and the rights from the Internet, up 17.7% at €3.7m in 2009, are far from offsetting these losses.

Royalties from foreign sources remained stable in 2009 (-0.4%). These rights come mainly from Germany (15.54%), Belgium (12.12%), Italy (10.34%), Japan (8.39%), Switzerland (7.62%), the UK (7.55%) and the US (5.85%). These countries are followed by the Netherlands, Spain, Canada, Poland and Sweden. Overall, these 12 countries represented 83.92% of royalties from foreign countries distributed in 2009.

As a group, the Sacem's repertoire, which includes a non-negligible number of works by foreign members under management, is third-ranked worldwide, behind the American and British repertoires. Historically based on "serious" musical genres, Sacem's international repertoire is today buttressed by numerous entertainment artists, generating a growing amount of royalties.

#### IMPROVED IDENTIFICATION OF WORKS

— Royalty distribution in 2009 broadly reflected the trend in collection, with a lapse of six to nine months needed for processing. ...

The total amount of royalties distributed by Sacem in 2009, whether paid directly to members or allocated to cultural initiatives (such as 25% of revenues received for private copying remuneration) was €748.1m, an increase of 1.58% on 2008 (+€11.6m). The net amount credited to member accounts and foreign CMOs was €650.5m, i.e. 78.77% of royalties distributed, compared with 75.76% in 2008 (+€31.3m).

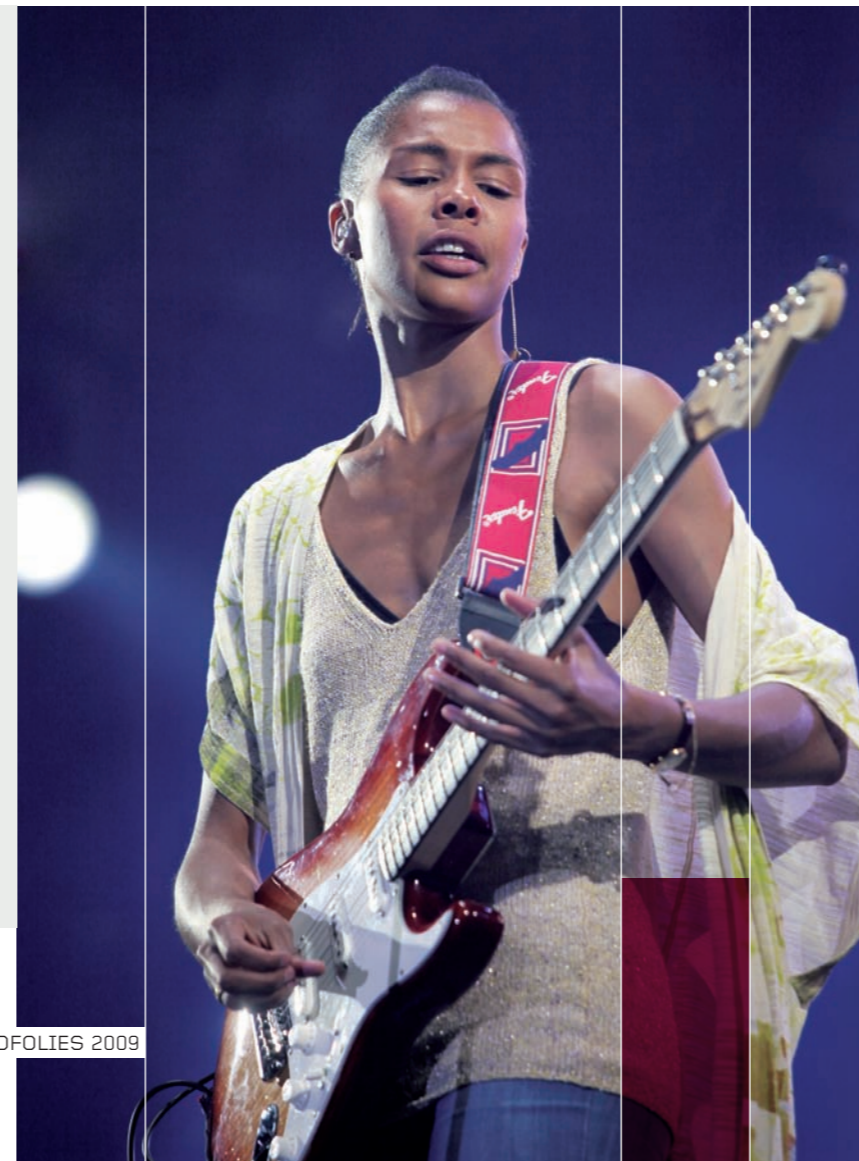
#### UNEVEN TRENDS

— The rise of certain distribution categories in 2009 was counterbalanced by disturbing trends in other areas.

In television, for example, the elimination of advertising on state-owned channels after 8 p.m. generated a drop in royalties distributed (-2.7%), with the government not making up for all the lost revenues. The economic crisis also had a direct impact on private networks, with a very slight increase (+0.5%), mainly due to M6. This category held up well overall, with a slight increase of distributed royalties (+1.5%), thanks to rights generated by cable and satellite, which were up 11.4%.

While the total volume of the Sacem repertoire broadcast on radio and television remained stable, a closer analysis reveals a preoccupying decrease in French songs, especially since the cultural and heritage value of this repertoire should be increasingly recognized and commercialized.

The share of royalties distributed generated by French works (use in public venues) again fell slightly in 2009, to 59.26% (compared with 59.41% in 2008 and 61.18% in 2007).



AYO, FRANCOFOLIES 2009

© MARC CHESNEAU



## — Distribution

\*\*\* Variations may occur depending on the number of works to be processed since the reports by broadcasters and distributors are not always as precise as they should be. Fees that cannot be distributed are credited to management accounts after a three-year delay or distributed proportionally (recording rights). These accounted for 5.4% of the amounts distributed in 2009, compared with 4.2% in 2008.

The increase in the amount distributed in 2009, given the stability of collection, is due mainly to an improved rate of identification of works. Sacem has developed a powerful identification engine, which achieves increasingly high rates of automatic identification. It intervenes to process works that have not been recognized automatically and creates links in the identification engine, which will subsequently teach the system to recognize them.

This cumulative process has given Sacem an extremely flexible system that achieves 80% levels of identification for certain broadcasters, thus considerably improving process automation.

In 2009, certain distribution rules were accordingly revised in order to improve reliability. This was the case, in particular, for the rules applied to public balls with live bands. To do this, Sacem called upon the services of a specialist statistics processing and polling firm, which re-examined the listening samples carried out by the organization's employees who record concerts and transmit these to music services that then identify the works and establish reports.

This firm, on the basis of information gathered in the second half of the previous year, determined by region and by the level of amounts collected the number of recording operations to be carried out. This has resulted in a significant improvement in the reliability and accuracy of the system.

### NANO-DISTRIBUTION

— The number of different titles generating royalty distribution in 2009 remained very high, for both broadcasting rights (699,629 titles in 2009, i.e. an increase of 4.6% on 2008) and recorded sound and video rights, with a 9.6% increase in the number of titles, mainly due to paid downloading of music files (844,186 different titles in 2009, compared with 769,929 in 2008 and 570,928 in 2007).

These many works today share about 1% of Sacem's collection, with disproportionate concentration of distribution. On iTunes, only 10 works registered more than 25,000 downloads and 20 million works were downloaded only once.

Music consumption on the Internet generates an exponential amount of data to be processed (codification, recognition, distribution). In 2009, this generated 712 million purchases of online music (downloading and streaming), and the processing of 3.719 million lines of reporting by the distribution departments.

To deal with this massive volume of data and the extreme dispersion of works downloaded on the Internet, a CMO like Sacem must have a considerable number of IT tools and a high level of expertise among staff – despite the fact that online music has yet to prove its viability as a business model.

### FRAGMENTED REPERTOIRES

— The increase in the volume of data to be processed is further complicated by the fragmentation of online repertoires at the pan-European level since the adoption of the European Commission's Recommendation on 18 October 2005.

Sacem, like other CMOs, no longer manages 100% of online rights.

This patchwork of repertoires creates considerable management difficulties and generates substantial processing costs. A work is no longer managed in the online environment as an indivisible item, but in relation to the rights held (or not held) by Sacem. This situation obliges Sacem to implement a very fine-tuned

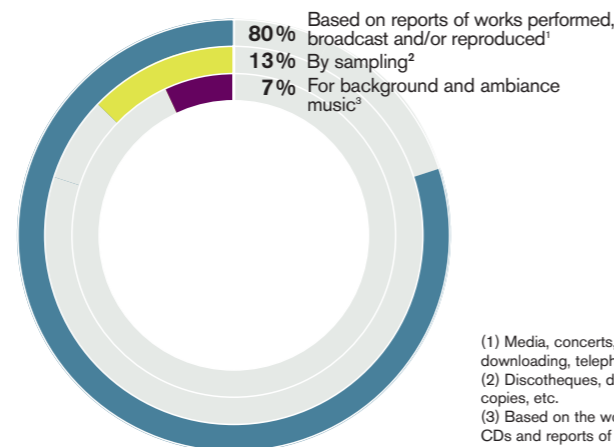


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FRANCOFOLIES 2009

### DISTRIBUTION: AN EXEMPLARY METHODOLOGY

Sacem's distribution processes limit the use of surveys to a strict minimum.



(1) Media, concerts, shows, CDs, DVDs, downloading, telephone ringtones, etc.  
 (2) Discotheques, dances and private copies, etc.  
 (3) Based on the works recorded on CDs and reports of radio broadcasts and live music concerts.

**712 million**  
 The number of lines processed by Sacem in 2009 for online music consumption

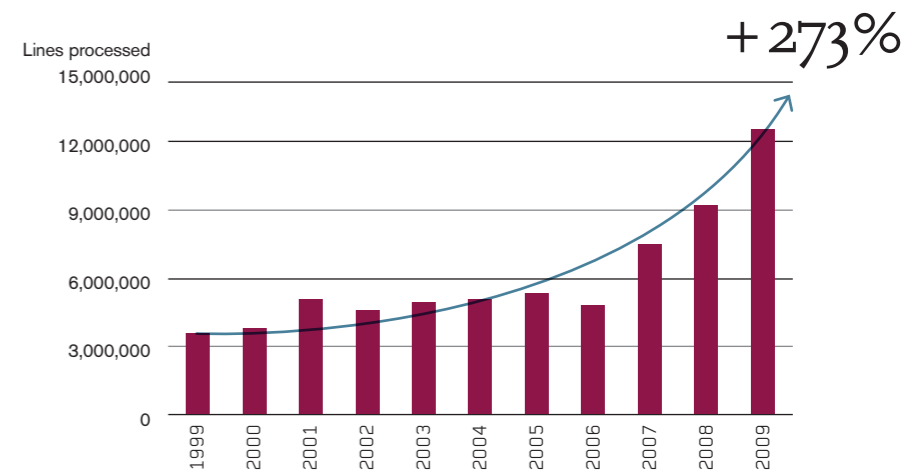
and precise management system, which will be applied to only one party of the work's rights holders.

There is only one possible solution to deal with the exponential growth of data to be processed and the fragmentation of repertoires: complete automation of the system, which requires huge investments in software development. These investments will eventually opti-

mize the distribution for much larger amounts. The standardization efforts undertaken by the DDEX (Digital Data Exchange) consortium are a first stage in the industrialization of the distribution process. They will pay off when ISPs cooperate. With the move to full digital technology, the acceptance of these standards by traditional broadcasters will also become an issue.

### INCOMPARABLE PRECISION IN ROYALTY DISTRIBUTION

In 2009, Sacem processed over 12 million lines of information containing data on the use of the works in its repertoire (radios, TV, concerts, reproductions on CD and DVD, downloading, streaming, etc). This significant increase in the volumes to be processed is mainly due to use of works on the Internet.



### DISTRIBUTION OF AUTHORS' RIGHTS

|   | 2009 in €          | 2008 in €          | Change as a % |
|---|--------------------|--------------------|---------------|
| <b>DISTRIBUTION TO RIGHTS HOLDERS</b>           | <b>634,090,000</b> | <b>602,628,000</b> | <b>5.2</b>    |
| → <b>Authors' rights</b>                        | <b>589,308,000</b> | <b>557,979,000</b> | <b>5.6</b>    |
| Sacem members                                   | 491,500,000        | 469,505,000        | 4.7           |
| French CMOs                                     | 6,146,000          | 4,874,000          | 26.1          |
| Foreign CMOs                                    | 91,662,000         | 83,600,000         | 9.6           |
| → <b>Social action</b>                          | <b>41,904,000</b>  | <b>41,612,000</b>  | <b>0.7</b>    |
| Contingency fund                                | 28,331,000         | 28,409,000         | - 0.3         |
| Solidarity fund                                 | 1,594,000          | 1,604,000          | - 0.6         |
| Funds allocated for social security initiatives | 11,979,000         | 11,599,000         | 3.3           |
| → <b>Cultural activity</b>                      | <b>2,878,000</b>   | <b>3,037,000</b>   | <b>- 5.2</b>  |
| Added-value fund for works                      | 1,734,000          | 1,746,000          | - 0.7         |
| Sacem Awards                                    | 1,144,000          | 1,291,000          | - 11.4        |

### ALLOCATIONS FOR CULTURAL ACTIONS

|   | 2009 in €         | 2008 in €         | Change as a % |
|---|-------------------|-------------------|---------------|
| <b>ALLOCATIONS FOR CULTURAL ACTIONS</b> | <b>16,483,000</b> | <b>14,588,000</b> | <b>13.1</b>   |

Support for the creation of original work, for promoting live performances and for training creators. Provision under the French Intellectual Property Code (Art. L.321-9) allocating 25% of private copying remuneration.





DJ ZEBRA, FRANCOFOLIES 2009

# SUSTAINING

COMMITTED TO  
NURTURING TALENT  
AND ENCOURAGING  
DIVERSITY

— For over 40 years, Sacem has stimulated diverse emerging musical talents through its cultural support program, recognized as one of the most active among CMOs worldwide. Sacem invests in the entire chain of musical vitality, from training to distribution, via aid for creation, publishing, production and live shows.

— Cultural support is organized with a view to sustaining talented creators and their projects at key stages in their development. Thus, fledgling artists can be given professionally focused training early on, then supported in their career development so that they can appear live on stage and gain public recognition and then record their work. This long-term backing is an

essential ingredient of Sacem's aid programs, far removed from one-off symbolic financial assistance.

Sacem encourages creators from different horizons, providing them with both material and moral support to enable them to achieve their goals.

It is important to reassert that Sacem's voca-

## SACEM WITHOUT FRONTIERS

France is not only a major creative source of music in Europe, it is also open to artists worldwide and to a vast repertoire of musical genres. Often, artists are appreciated by professionals and the public in France, even before being recognized in their country of origin.

Sacem, in its cultural support programs, takes the international dimension of musical creation into account. In its actions, Sacem is aware that it cannot assume this mission on its own. It therefore does everything it can to work with other groups, to pool available resources and to better coordinate its efforts with those undertaken by public institutions and, increasingly, by French and foreign professional organizations. In this regard, it is an active partner of the French Music Export Office and it participates in the activities of the Franco American Fund for Contemporary Music and Jazz. Since 2008, a partnership has been established with the Cultural Services of the French Embassy in Berlin and German partners, to set up a musical support fund for projects in both countries. A rather similar project has been launched in 2009 with the French Embassy in London. With its European partners, Sacem goes on driving the Re-New project to increase the circulation of musical works in Europe. Finally, work is in progress with respect to a new European project supporting the emergence and completion of training for young composers as they become professionals in Europe.

## SUPPORT FOR CARRER DEVELOPMENT : SACEM AND MODERN MUSIC



The selective support system for career development has established itself as an important component of Sacem's cultural action, in particular for modern music, which benefits from approximately €300,000 per year. This complements action to sustain the renewal of repertoires. Support for live shows and aid to professionalize young authors and composers is truly a priority in Sacem's cultural action. There are several aspects to this program: career development and support (different contributions, from creation to distribution), aid for self-sustained production and international development.

Significant contributions:

- 14 authors, composers and performers given support
- 29 grants for aid in writing new shows
- 86 music venues given support
- 65 budding artists given support for producing stage acts
- 6 "Sacem Carte Blanche" concerts programmed during major festivals

## SACEM SUPPORTS COMEDY ACTS



Since the autumn of 2009, Sacem has been organizing "ça sème l'humour," professional evenings for budding comedy acts at the Trois Baudets club in Paris. Through this initiative, Sacem supports quality contemporary creation. Programmed on a quarterly basis, these evenings target a professional audience: theater directors, show organizers, producers, artists, journalists, etc.

Live shows are more than ever a priority for Sacem. Given the deep-seated crisis in the recording industry, the live-show sector has become even more strategic than in the past. Expressed in different genres, containing music, songs and comedy sketches or texts, these live shows are aided by Sacem in their creation as well as their organization.

tion is not to subsidize creation, but to be a partner for emerging talents seeking to become more professional and to be viable in different musical markets.

In all its undertakings, Sacem's cultural division supports the three major living music repertoires, which it puts on an equal footing and sees as legitimate in their own right:

- Genres with marginal exposure such as contemporary classical music and poetry
- Film and television scores, as well as music for multimedia platforms
- Modern music, covering all styles: lyrical music, folk, jazz, rock, world music, electronic music, without forgetting humor in its various expressions in text and music

In 2009, the Sacem cultural division worked with a budget of €19.6m, an increase of 10.4% on 2008. Expenses (including contributions to FCM, the Sacem Action Fund) amounted to €14.5m, with a positive balance of €4.9m (including €538,562 for the Franco-American Film Fund). This result was attributable to better revenues than forecast in the second half of 2009 and reserves of €2.3m, carried forward from the 2008 fiscal year.

## SUPPORT FOR LIVE SHOWS

— Support for live shows has traditionally received a majority of Sacem's cultural budget, as was the case in 2009, with 53.9% of the budget, i.e. €5.9m, earmarked for this essential activity. Once again, this budget was used for a great diversity of actions: festivals, permanent musical venues, support of musical ensembles, tours and support acts.

In all, 400 festivals received help from Sacem in 2009, with both major and smaller events being given support. Sacem is particularly committed to this great diversity of festivals, highly appreciated in France by growing audiences.

General budget allocations to help live shows reflect these priorities:

|   |        |
|---|--------|
| → Regional support, including funding of permanent venues and festivals | €2.1m  |
| → National festivals and major professional events                      | €1.2m  |
| → Support for emerging talent   | €733k  |
| → Support for professional ensembles and distribution channels          | €1.19m |
| → Support for the export of works                                       | €584k  |





ANGÉLIQUE KIDJO, MUSIQUES MÉTISSES 2010

## SUSTAINING CREATION AND PRODUCTION

— Sacem's commitment to sustaining creation and production amounted to €4m in 2009, representing 36.4% of the cultural division's budget. The span of its contributions reflects its determination to support diverse genres, deposited or managed in its own repertoire, and to take into account the priorities of other CMOs and producers with access to private copying remuneration and ancillary rights. Thus, Sacem contributes to a very wide range of musical creation and production:

|   |       |
|---|-------|
| → The development fund to support contemporary music and poetry | €1.7m |
| → Film and television scores and music for multimedia platforms | €787k |
| → Radio creation and production                                 | €65k  |
| → Recording production (CD and DVD projects)                    | €453k |
| → Musical information   | €589k |
| → Publications  | €71k  |
| → Residencies and grants  | €259k |

## TRAINING OF AUTHORS AND ARTISTS

— In 2009, the cultural division allocated 9.7% of its budget, i.e. €1.07m, to training. Its role in this area is to help artists and creators as they gradually enter into their careers, in particular in light entertainment genres, which have less access to training and development funds than other repertoires.

Sacem supports training institutions working to professionalize creators: Fair, Réseau Printemps, Studio des variétés, Le Coach, Chantier des Francos, etc.

Over recent years, these contributions have expanded and become diversified, with actions such as those initiated by Didier Lockwood in the Greater Paris area and those developed by the Centre européen de musique de chambre (ProQuartet) or the Centre Acanthes.

## ACTION IN FAVOR OF MUSIC IN MEDIA

This action, representing €1m in the cultural budget, continued with the consolidation of most programs in two main areas: support for the creation of original music for visual media and support for the production of documentary films on musical subjects.

Sacem has also developed partnerships with 26 film and television festivals in France and abroad.

The emphasis on music-related documentaries led to contributions to 25 documentaries and 9 writing projects. Documentaries helped by Sacem were screened at the Radio France Montpellier festival and the Etats Généraux du Film Documentaire in Lussas.

As part of its contributions to musical career development for creators wanting to write for the screen, and with a view to sustaining training through meetings with established musical score creators at festivals, professional integration was encouraged at various events, such as the Aubagne festival, Premiers plans in Angers and Emergences.

## 2009: REVIVAL OF THE SUPPORT FUND FOR ORIGINAL SCORES FOR TELEVISION

Following its suspension last year for budgetary reasons, the support fund for original scores for television was revived in the final quarter of 2009. A new system was instituted, based on the needs of the sector, with new eligibility criteria. The first commission to select projects took place in December 2009.

Traffic Quintet: Anne Villette (violin), Philippe Noharet (double bass), Dominique Lemonnier (violin), Raphaël Perraud (cello), Estelle Villotte (viola)



## Sacem Foundation

### PROVIDING SUPPORT TO ALL MUSICAL GENRES

— Created in 1977, the Sacem Foundation provides support and patronage to a great diversity of musical creativity, without distinction in terms of genre or musical current. The Sacem Foundation's budget is made up of funds collected by the private copying remuneration. Here are just a few examples of the Sacem Foundation's activities in 2009.

#### YOUNG AUDIENCES, NEW AUDIENCES

— Today's youth is tomorrow's audience. This basic notion guides the Sacem Foundation in its efforts to encourage children and adolescents to appreciate alternative musical genres, including classical music, contemporary music, jazz and film scores.

- Training for teachers, practical and creative workshops for schoolchildren, meetings with artists, all based on the program at the Théâtre du Châtelet in Paris
- Musical creativity workshops: children participate in the production of works commissioned by composers. Events include sessions with the Orchestre National de Lille and composer Gilles Schuemaker, Mômélodies – "Open Voices," songs composed by Rémo Gary et Michèle Bernard in May in Fez (Morocco) and performed by the children's choirs (8-16 years old) of Bourgen-Bresse, France, and Fez

#### PROMOTING MUSICAL CREATIVITY IN ALL DIRECTIONS

— The Sacem Foundation commissions composers to write music and supports their efforts until their works are performed publicly.

- Bruno Mantovani, performing at the Pianoscope festival in Beauvais
- Thierry Machuel, performing works composed by inmates of the Centrale Prison at the Clairvaux Festival
- Traffic Quintet performing at Musica - Strasbourg: Creation of the Feminine Divinity, pieces of Alexandre Desplat, Pascal Dusapin, Bernard Herrmann, Jerry Goldsmith ...

— For the last three years, the Sacem Foundation has been supporting three emerging jazz talents: Thomas Enhco, pianist and violinist, Ibrahim Maalouf, trumpet player and Emile Parisien, saxophonist. Two new artists are to be helped: Fiona Monbet, violinist and Benjamin Siksou, singer.



Cannes film festival : Serge Toubiana (CEO of Cinémathèque Française) and Anna Karina

## Franco-American Cultural Fund

### A MODEL OF INTERNATIONAL FILM COOPERATION

— Thirteen years ago, Sacem created the Franco-American Cultural Fund (FACF) with US film industry partners: Directors Guild of America (DGA), Writers Guild of America (WGA) and Motion Picture Association of America (MPAA). In France, the FACF is financed by private copying remuneration.

#### A SAMPLE OF KEY ENCOUNTERS ON BOTH SIDES OF THE ATLANTIC IN 2009:

**Encouraging better distribution of French films in the US**  
**APRIL** → 13th City of Lights, City of Angels - ColCoa

— The leading French film festival in the US, with 20 short films and 27 features screened and the participation of several guest directors, screenwriters and actors. Four awards were presented this year: the ColCoa Audience Award for *Welcome*, directed by Philippe Lioret, the ColCoa Critics Award for *Eden à l'ouest*, directed by Costa-Gavras, the ColCoa Short Film Award for *Fais comme chez toi*, directed by Gautier About, and the First Film Award, attributed to Vincent Garenq for *Comme les autres*.

#### Restoring American and French films

**MAY** → Screening as part of the Official Selection at Cannes Classics of a restored version of *Pierrot le fou*, a film by Jean-Luc Godard (1965), with Anna Karina presenting the film in association with the Cinémathèque Française and Studio Canal.

#### Training young professionals of both countries in filmmaking skills

**JUNE** → 13th Summer Cinema Campus in partnership with the La Rochelle International Film Festival

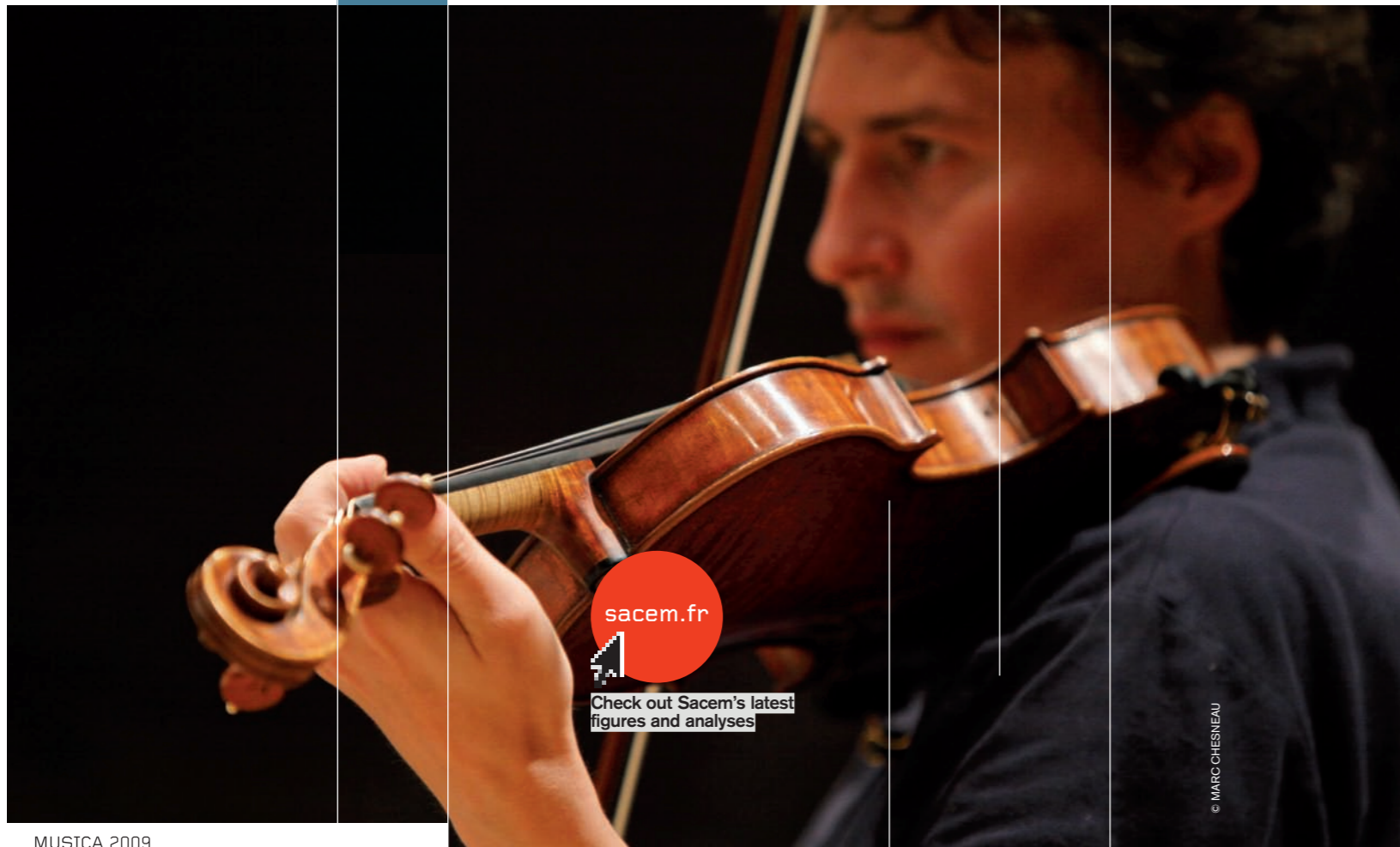
— In association with major film schools, this summer school welcomes eight young filmmakers, selected by a jury of professionals, to work on their short film scripts and gain experience in directing actors.

#### Fostering professional exchange in France and the US

**OCTOBER** → 4th edition of "Autumn Stories"

— Six weeks of residency for four American screenwriters for script projects linked to France and meetings with French professionals (technicians, actors, producers, etc.).





MUSICA 2009

# CONTROLLING

## A FRUITFUL STRATEGY

— Sacem's cost-control strategy, initiated several years ago, continued to pay off in 2009, with operating expenses cut again. Sound management of cash holdings limited the impact of the financial crisis, thus keeping the average retention rate below 16%.

### REDUCED OPERATING EXPENSES

— Sacem successfully continued to apply its cost control strategy in 2009, focusing on reduced operating and salary expenses. Thus, Sacem's overall expenses were reduced by 5.54% for the fiscal year. This significant decline in operating expenses resulted from determined efforts in all areas.

Compared to 2008, total expenses were reduced by 2.94% in 2009, in contrast to a slight increase of 0.8% (below inflation rates) in 2008, which is a net change on past trends. This decrease is better than forecast in the draft 2009 budget presented to the Sacem Management Board at the end of 2008. The difference compared with long-term trends (i.e. a 3.8% increase per year on average) represents savings of approximately €13m in 2009.

This result was achieved essentially through control of salary expenses, which account for two-thirds of the organization's costs and remain the major challenge. After having been

stabilized in 2008, personnel expenses were cut by 2.38% in 2009. Despite an increase of 0.50% in terms of levels, total compensation fell by 0.66% over the year. The headcount was reduced by 27 operating positions over the year, a decrease of 29.9 positions on average per year.

After carrying forward the 2008 surplus, total resources for the fiscal year were down 5.78%. On comparable data, i.e. not including the reintegration of accounting provisions for the implementation of the agreement on complementary retirement benefits in 2008, resources were down only 2.44%. This was mainly due to the decline in financial revenues, linked to average

returns in the financial markets.

After taking into account non-recurrent expenditures, and revenues and financial resources, fiscal 2009 generated a management surplus €7.98m, carried forward into fiscal 2010.

### CONTROLLED RETENTION RATE

— The retention rate, i.e. the average amount withheld on royalties for operating expenses, increased very slightly in 2009 (+0.9%) to

15.7%. This rise was the result of changes in the collection structure; at the same time, certain rates were lowered.

Over the last 10 years, the retention rate on royalties has gone from an average rate of 19.4% to 11.4%. This improvement is attributable to controlled management practices and a reduction in staff, as well as a regular increase in cash under management and good management performances.

Certain categories of general rights have

benefited from a 65% drop in retention rates over the last 10 years.

This has been the case, in particular, for two categories: "ambient sound using radio and television" and "public balls, concerts and discotheques."

While there may be significant variations from one year to the next on non-distributed amounts, thus impacting the levels of certain specific rates, it is clear that there is a long-term trend towards lower retention rates.

### FINANCIAL REVENUES: CONTINUED HIGH RETURNS

— Sacem's financial revenues cover 15% to 20% of operating expenses every year. Cash management, which concerned €825m as of December 31, 2009, plays a key role in the overall financial position.

It should be noted, however, that 2009 was marked by historically low interest rates. Yields on long-term investments (French government bonds) fell to 3.7%, compared with an average of 4.32% in 2008, while the drop in short-term rates was even more spectacular, with the average weighted reference rate falling from 3.86% to 0.71% in one year.

Thus, Sacem posted financial income of €29m in 2008 and approximately €27m in 2009, due to the fall in interest rates and a 0.3% decrease in the amounts invested following lower royalty collection levels and relatively high distribution levels. The fall in financial revenues was less than the projected figure contained in the 2009 budget (-18%).

Given the international financial crisis, this can be qualified as a remarkably good result. The return on cash management remains very high, at 4.38% in 2009, compared with 4.88% in 2008. This can be ascribed in part to the fact that Sacem has had the opportunity, since the beginning of 2009, of investing in a certain number of securities offering satisfactory returns in the current environment, without increasing risk.

### REORGANIZATION OF THE NETWORK

— The implementation of a broad network organization project entered a new phase, following a period of reflection, studies and analyses undertaken with the participation of the various divisions and regional delegations.

The aim of this project is to rationalize the Sacem network in large cities outside Paris (including Marseille, Lille, Nice, Bordeaux and Toulouse), to stimulate the growth of rights collection and to increase the number of contracts. These results must be achieved within a framework of controlled expenses.

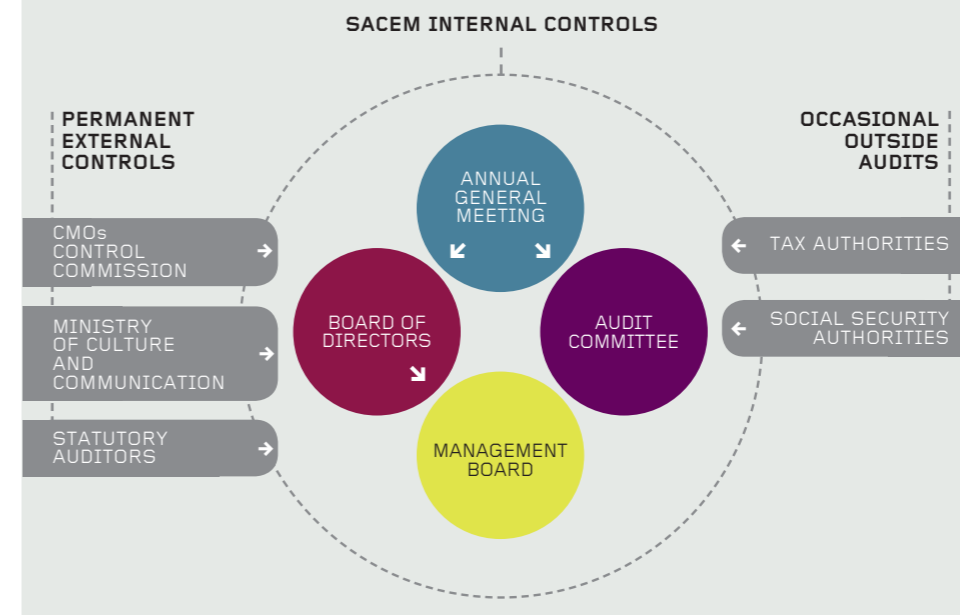
## SACEM, PROVIDING SERVICES TO SISTER CMOs

Beyond managing its own royalties, Sacem administers the accounts of Sdrm<sup>1</sup>, collecting mechanical reproduction rights on their behalf, part of which is redistributed to other CMOs both in France and abroad. Sacem also manages collection for Sorecop<sup>2</sup> and Copie France<sup>3</sup>, for levies on blank CDs and DVDs, as well as collecting royalties for the multimedia programs registered with Sesam<sup>4</sup>. Sacem also provides various management services for several cultural bodies: Agessa<sup>5</sup>, Spré<sup>6</sup>, the "Musique et Promotion" EIG<sup>7</sup>, the "Fonds d'Action Sacem" (FAS), the Franco-American Cultural Fund (FACF) and Cdmc<sup>8</sup>. It also collects royalties in France (outside of Paris) for Sacd<sup>9</sup>.

(1) Sdrm – The Collective rights Management Organization (CMO) for mechanical reproduction representing authors, composers and publishers. (2) Sorecop – The CMO for royalties on private audio copies. (3) Copie France – The CMO for royalties on private video copies. (4) Sesam – The CMO for managing multimedia royalties of member societies. (5) Agessa – The social security association for authors. (6) Spré – The society for equitable remuneration in collection. (7) "Musique et Promotion" EIG – An Economic Interest Group for managing the Debussy-Ravel Auditorium located at the Sacem Head Office. (8) Cdmc – The documentation center for contemporary music. (9) Sacd – French playwrights' and composers' CMO.

## SYSTEMATIC CONTROL

To ensure efficient operations and comply with the highest standards of corporate governance, Sacem's activities are carefully scrutinized at several levels. To begin with, Sacem has been audited on an ongoing basis, since August 2000, by the French CMO Control Commission, a special body under the jurisdiction of the Cour des Comptes, the French government auditor. Every year, this body publishes a public document which can be consulted online: <http://www.ccomptes.fr/fr/CPCSPRD/Accueil.html>





**BOARD OF DIRECTORS**

2010 - 2011

Authors, composers and publishers determine Sacem policies. At the Annual General Meeting, members are asked to approve the governance and accounts of the society for the previous fiscal year and elect the members of the Board of Directors, with each group represented equally: 6 authors and 2 author-directors, 6 composers and 6 publishers.

**President**

Claude Lemesle / Author

**Vice-Presidents**

Jean-Pierre Spièro / Author-director

Nelly Quérol / Publisher

Alain Chamfort / Composer

**Treasurer**

Patrick Lemaître / Composer

**Deputy Treasurer**

Alain Goraguer / Composer

**General Secretary**

Arlette Tabart / Author

**Deputy General Secretary**

Christian de Ronseray / Publisher

**Author (from left to right)**

Richard Seff  
Jean-Max Rivière  
Jacques Demarny / Honorary President  
Jean Fauque  
Arlette Tabart  
Pierre Grillet  
Jean-Pierre Spièro / Author-director  
Claude Lemesle  
Gilles Amado / Author-Director (not on this photo)



**Composers**

Alain Chamfort  
Jean-Pierre Bourtayre  
Patrick Lemaître  
Alain Goraguer  
Laurent Petitgirard  
Christian Gaubert  
Gérard Calvi / Honorary President (not on this photo)



**Publishers**

Thierry Communal  
Nelly Quérol  
David Séchan  
Jean-Marie Salhani  
Caroline Molko  
Christian de Ronseray  
Gérard Davoust / Honorary President (not on this photo)

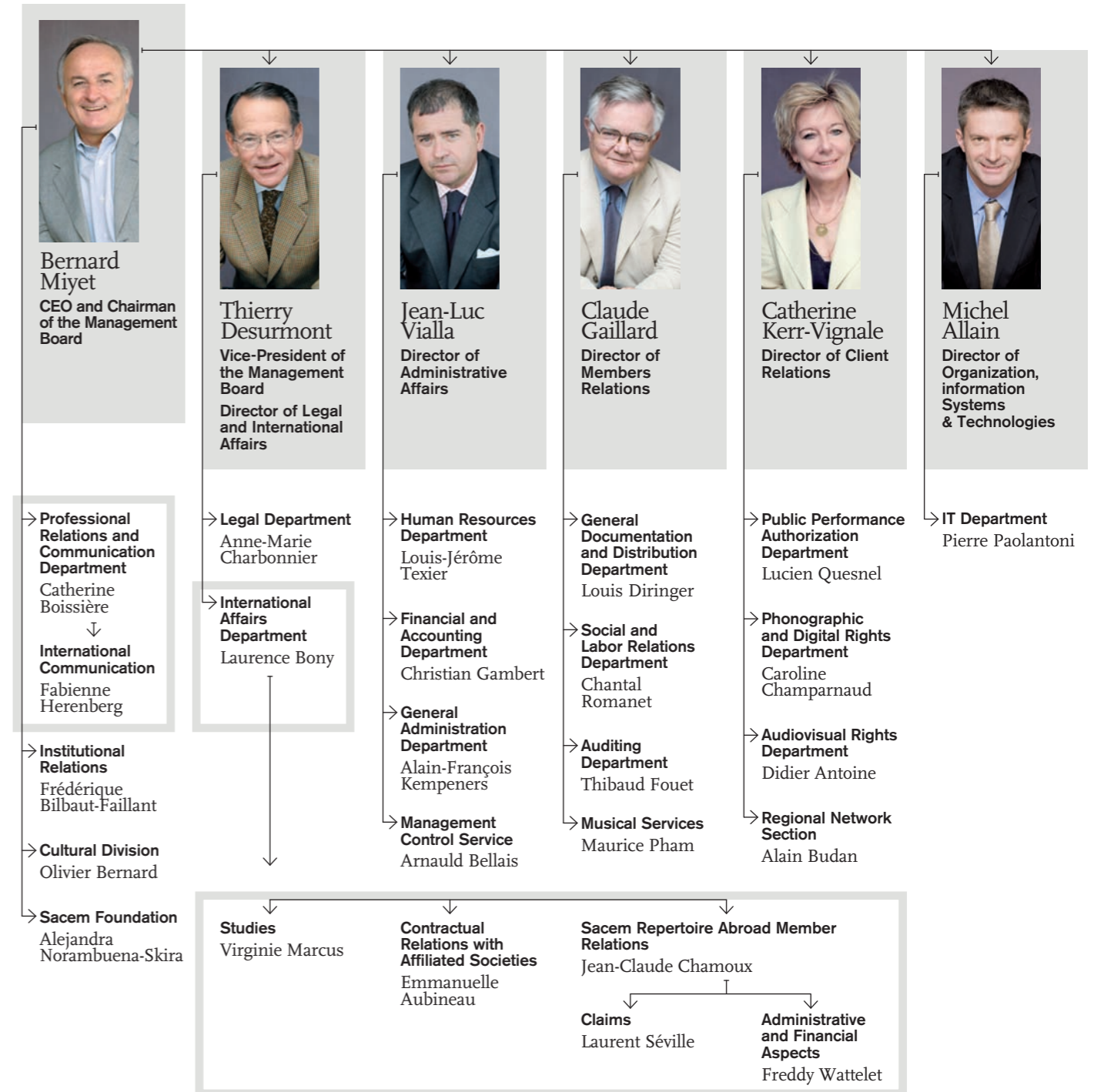


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**MANAGEMENT BOARD**

JUNE 2010

The Board of Directors appoints a Chief Executive Officer and Chairman of the Management Board, who manages the organization and is responsible for implementing the policy decisions of the administrators. The society's activities are structured around five major divisions, each under the responsibility of a member of the Management Board.





## SIMPLIFIED BALANCE SHEET

| ASSETS                           |                         |                           | 2009                    | 2008                    | %            |
|----------------------------------|-------------------------|---------------------------|-------------------------|-------------------------|--------------|
|                                  | Gross                   | Amortization and reserves | in €<br>Net             | in €                    |              |
| <b>FIXED ASSETS</b>              | <b>191,298,948.92</b>   | <b>103,974,044.41</b>     | <b>87,324,904.51</b>    | <b>65,353,800.87</b>    | <b>33.62</b> |
| Intangible assets                | 54,425,865.55           | 29,198,729.69             | 25,227,135.86           | 21,469,466.85           | 17.50        |
| Tangible assets                  | 113,706,809.45          | 74,775,314.72             | 38,931,494.73           | 21,203,398.67           | 83.61        |
| Financial assets                 | 23,166,273.92           | -                         | 23,166,273.92           | 22,680,935.35           | 2.14         |
| <b>FLOATING ASSETS</b>           | <b>1,071,624,093.45</b> | <b>3,579,009.03</b>       | <b>1,068,045,084.42</b> | <b>1,059,888,897.19</b> | <b>0.77</b>  |
| Users, delegations, foreign CMOs | 190,844,911.32          | -                         | 190,844,911.32          | 176,584,691.04          | 8.08         |
| Members                          | 35,420,643.30           | 1,472,675.96              | 33,947,967.34           | 32,772,254.75           | 3.59         |
| Other operating receivables      | 1,761,998.80            | -                         | 1,761,998.80            | 1,797,893.25            | - 2.00       |
| Miscellaneous receivables        | 18,338,995.07           | -                         | 18,338,995.07           | 15,217,293.10           | 20.51        |
| Investment securities            | 815,521,580.21          | 2,106,333.07              | 813,415,247.14          | 825,384,435.27          | - 1.45       |
| Available assets                 | 7,662,382.89            | -                         | 7,662,382.89            | 5,578,854.25            | 37.35        |
| Declared advance expenses        | 2,073,581.86            | -                         | 2,073,581.86            | 2,553,475.53            | - 18.79      |
| <b>TOTAL</b>                     | <b>1,262,923,042.37</b> | <b>107,553,053.44</b>     | <b>1,155,369,988.93</b> | <b>1,125,242,698.06</b> | <b>2.68</b>  |

| LIABILITIES  |  |  | 2009                    | 2008                    | %            |
|--|--|--|-------------------------|-------------------------|--------------|
|  |  |  | in €                    | in €                    |              |
| <b>CAPITAL</b>                                       |  |  | <b>9,345,886.86</b>     | <b>8,819,376.25</b>     | <b>5.97</b>  |
| <b>PROVISIONS FOR RISKS AND EXPENSES</b>             |  |  | <b>2,902,186.00</b>     | <b>2,632,739.00</b>     | <b>10.23</b> |
| <b>DEBT</b>  |  |  | <b>1,143,121,916.07</b> | <b>1,113,790,582.81</b> | <b>2.63</b>  |
| Deposits received                                    |  |  | 2,380,946.25            | 2,263,508.70            | 5.19         |
| Financial debt                                       |  |  | 171,108.42              | 2,889,785.13            | - 94.08      |
| Rights collected at different stages in distribution |  |  | 700,591,032.84          | 698,348,700.92          | 0.32         |
| Users, delegations, foreign CMOs                     |  |  | 4,016,764.99            | 3,690,233.02            | 8.85         |
| Fees notified to users, but not paid                 |  |  | 157,845,898.28          | 146,762,916.10          | 7.55         |
| Members  |  |  | 35,967,726.28           | 33,375,471.82           | 7.77         |
| Operating debt                                       |  |  | 52,361,352.38           | 50,527,452.21           | 3.63         |
| Miscellaneous debt                                   |  |  | 10,946,602.50           | 10,512,339.94           | 4.13         |
| Surplus for guaranteeing members' social welfare     |  |  | 165,954,613.79          | 153,975,695.85          | 7.78         |
| Aid to creators (25% of private copy levy)           |  |  | 4,908,870.97            | 2,740,424.14            | 79.13        |
| Declared advance revenues                            |  |  | 7,976,999.36            | 8,704,054.98            | - 8.35       |
| <b>TOTAL</b>   |  |  | <b>1,155,369,988.93</b> | <b>1,125,242,698.06</b> | <b>2.68</b>  |

## SIMPLIFIED INCOME STATEMENT

| EXPENSES  | 2009                  | 2008                  | %              |
|---|-----------------------|-----------------------|----------------|
|   | in €                  | in €                  |                |
| <b>I - OPERATING EXPENSES</b>                                   | <b>179,988,644.44</b> | <b>185,449,256.20</b> | <b>- 2.94</b>  |
| Purchases and external expenses                                 | 45,389,701.10         | 48,143,708.51         | - 5.72         |
| Taxes   | 2,855,617.46          | 2,774,817.58          | 2.91           |
| Personnel expenses  | 119,809,259.47        | 122,730,519.22        | - 2.38         |
| Other operating expenses  | 3,868,646.66          | 3,514,050.91          | 10.09          |
| Endowment for amortization                                      | 7,511,400.12          | 7,586,366.89          | - 0.99         |
| Endowment for provisions  | 554,019.63            | 699,793.09            | - 20.83        |
| <b>II - EXCEPTIONAL EXPENSES</b>                                | <b>101,475.13</b>     | <b>5,194,682.29</b>   | <b>- 98.05</b> |
| <b>TOTAL EXPENSES FOR THE FISCAL YEAR (I+II)</b>                | <b>180,090,119.57</b> | <b>190,643,938.49</b> | <b>- 5.54</b>  |
| <b>SURPLUS ON MANAGEMENT FEES AT THE END OF THE FISCAL YEAR</b> | <b>7,976,999.37</b>   | <b>8,704,054.98</b>   | <b>- 8.35</b>  |
| <b>TOTAL</b>  | <b>188,067,118.94</b> | <b>199,347,993.47</b> | <b>- 5.66</b>  |

| REVENUES                                  | 2009                  | 2008                  | %              |
|---|-----------------------|-----------------------|----------------|
|   | in €                  | in €                  |                |
| <b>I - OPERATING REVENUES</b>             | <b>153,765,345.93</b> | <b>160,686,266.51</b> | <b>- 4.31</b>  |
| Recuperation and re-invoicing of expenses | 25,111,391.18         | 26,983,514.38         | - 6.94         |
| Retention on royalties                    | 128,277,052.74        | 126,488,193.76        | 1.41           |
| Other operating revenues                  | 16,683.81             | 22,419.29             | - 25.58        |
| Reversal of provisions                    | 360,218.20            | 7,192,139.08          | - 94.99        |
| <b>II - FINANCIAL REVENUES</b>            | <b>32,588,530.98</b>  | <b>36,411,166.69</b>  | <b>- 10.50</b> |
| <b>III - EXCEPTIONAL REVENUES</b>         | <b>749,747.03</b>     | <b>1,164,906.27</b>   | <b>- 35.64</b> |
| <b>IV - TRANSFERT OF EXPENSES</b>         | <b>963,495.00</b>     | <b>1,085,654.00</b>   | <b>- 11.25</b> |
| <b>TOTAL</b>                              | <b>188,067,118.94</b> | <b>199,347,993.47</b> | <b>- 5.66</b>  |



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**Society of Authors, Composers and Music Publishers**

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